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World Economy & International Relations

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English Summary of Major Articles

904M0012A Moscow MIROVAYA EKONOMIKA I
MEZHDUNARODNNYE OTNOSHENIYA in Russian
No 5, May 90 (signed to press 16 Apr 90) pp 158-159

[Text] S. Peregudov in his article "Social-Democratic Model of Social Relations" tries to identify the real role and place of Social Democracy in development of the Western societies. The author gives a comprehensive picture of Social-Democratic theory and practice, their experience in building and maintaining the welfare state system, the systems of social partnership and labor relations. Admitting certain efficiency of neoconservative efforts aimed at revitalizing the Western economies, he underlines their neglect of the social issues. Meanwhile, the Social Democrats have some promising ideas in the sphere of social modernization. The actual development of the Western societies could be understood only by taking into account permanent competition of different models proposed. This understanding, as well as specific experience of some social institutions of the West, would be very useful for carrying out social reforms in this country, believes the author.

G. Sturua, "The Soviet Navy from the Point of View of Perestroyka in the Armed Forces." Military reform is most urgent and of great importance for the country since the Soviet approach to military problems is changing deeply. We also reckon on cutting military budgets to promote reforms in the Soviet economy.

The Navy is known to be the most expensive part of the military forces; on the other hand, a lot of unnecessary expenditures were done in our country in attempts to copy mechanically the experience of the great sea powers. The authors of unrealistic navy programs seem to be inspired with the hope to acquire predominance on the seas. Later the efforts were concentrated on creating nuclear sea forces; new types of submarines made the Soviet navy much more effective, but resulted in another extreme—denying any role of the other types of warships. Analyzing traditional aims and methods of naval warfare, the author comes to a conclusion that, since the current international and ecological situation practically excludes using sea-based nuclear weapons, these aims, navy strategy and tactics should be reassessed. The new Soviet defensive doctrine has to be applied to the navy, especially because the latter's problems are nearly developing into a crisis. The preference of quality, not quantity, should be a principle of military reform.

M. Cheshkov, "Understanding the World's Integrity: in Search of a Non-formational Paradigm." Realizing the world as a whole is a key problem in the renovation of the social consciousness of the USSR. In modern Marxist social sciences different ways to reflect the integrity of the world are being intensively worked through. A point of departure for such a reflection, from

the author's point of view, must be the critical analysis of the theory of socioeconomic formations. This theory constituted the nucleus of the old political thinking and formed the base for a picture of the world as being dyadic and antagonistic. That is why critical reassessment of the given theory is a necessary condition for demolishing the old political thinking. Criticizing formation theory as a means of understanding the world and of demonstrating its narrowness opens possibilities to create different new, non-formational paradigms. The author chooses a research method that characterizes the world history process as a succession of three historical structures: local, world and universal. The contemporary world's integrity is described by the "world community" notion. In the framework of this social unit it is possible, in Cheshkov's opinion, to solve the modern crisis of history and to form conditions for non-formational modes of humanity's development.

E. Pozdnyakov, "Approaches Formational and Civilizational." The problem of new approaches to the analysis of modernity involves numerous conceptual and methodological difficulties. These difficulties are not specific for political science, being a feature of our social science as a whole.

New foundations of theory and practice must be created. The social sciences' role is inestimable. Yet the renovation of science itself, both conceptual and methodological, is necessary. The movement to the reconstruction of scientific basis began "from the upper stores"—from the general ideas of the new thinking. It is not, from scientific point of view, the best way; yet, there is no alternative, since the existing methodological foundation is the fortress of conservative thought, of old, pre-perestroyka thinking.

The main part of the old methodology is the formational approach, the essentially deterministic, i.e., fatalistic understanding of the historical process, inevitably underestimating absolutization of one of the life's aspects, material or spiritual. Harmony is to be found in the inseparable unity of the two. The civilizational approach makes it possible to estimate things in such unity; it also supposes criteria of civilization with its liberal-democratic values and a high level of science and technology. On the other hand, the critical condition of world civilization demands unified efforts of humanity for the sake of preserving and developing all human and natural values.

The article "Socioeconomic Content of the Historical Press" by L. Lyubimov and E. Yarovaya is the first attempt to show that the repudiation of a broad socioeconomic view of reproductive processes by Soviet political economy turned out to be the reason for the contradictory character of research works and the poor vitality of the economic practice. According to the same reason, the political economy has proved to be unprepared either for the comprehension of new goals related to the activization of the human factor or for an explanation of the process of socialization of social development which

grew apace in the USA and other capitalist countries. Contemporary capitalism has engendered numerous new social phenomena which did not exist during Marx's life and which became an important landmark of the historical and social development. The general reappraisal of ways of the social development is a special token of the 1980s. The accent is being transferred now from relations between the people and wealth to relations between people in the broadest humanitarian sense. The concepts of the "quality of life," "ecodevelopment," "development ethics," "societal development" and others constitute a reflection of such new approaches. The authors show that this unprecedented social transformation is the main content of the contemporary transitional epoch.

The article "A Development of the 'Participation Economy' in the Leading Countries of the West" by the collective of authors is devoted to the consideration of a new generation of systems of participation. The authors believe that the acceleration and intensification of the economic reform, a liquidation of the monopoly of state property, the conversion of the hired worker into a co-owner of means of production are acquiring paramount importance at the present stage of perestroika. Therefore, a new wave of proliferation of participation systems of the working people in business deserves serious attention. The trend toward the more complete involvement of the worker in production activity, the consolidation of different forms of participation in a single complex are leading to a formation of the "participation economy." The author argues that this means a qualitatively new phenomenon which involves profound economic and social consequences.

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The Social Democratic Model of Social Relations

904M0012B Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 5, May 90 (signed to press 16 Apr 90) pp 5-20

[Article by Sergey Petrovich Peregudov, doctor of historical sciences; sector chief, USSR Academy of Sciences IMEMO]

[Text] The time is past when our interest in the social development of Western countries, particularly in the sociopolitical sphere, was of a purely theoretical or, more frequently, pseudotheoretical character. What was previously regarded as something incomparable with or even fundamentally opposed to our own existence, with the development of the perestroika process proved to have not only scientific but also purely practical significance for us. Most Soviet economists, sociologists and political scientists now agree or almost agree that not only various "particular" technico-economic qualities, but also the very basis of social relations in Western

countries contain an important component that is relevant to all civilization and that therefore deserve being directly correlated with our own reality. However, behind this general, almost unanimous recognition of the value of Western experience and the need for its creative assimilation, we frequently lose sight of one very important circumstance. For all the apparent "uniformity" of social development in Western countries, it is the result of the interaction and frequently serious confrontation of by no means homogeneous social and political forces, each of which tries to affirm its own values and priorities, its own vision of the present and the future. Consequently, there are various conceptions, programs and strategies of social development competing with one another. Today they are for the most part advocated by conservatives (or, more precisely, neoconservatives) and social democrats (as well as parties and organizations similar to them such as the U. S. Democratic Party). We will obviously not make much progress in understanding the aspects of the Western experience that correspond most closely to the conditions objectively existing in our country, to our understanding of social progress and political democracy if we do not analyze the real contribution that each of these opposing forces makes to this experience.

This work has essentially already begun and many readers probably could not fail to note articles and speeches that focus either on the reformists or the neoconservative strategy of social development. Advocates of the latter frequently reject both "real socialism" (which can hardly evoke objections on anyone's part) and Western social reformism as a supposedly dead-end branch of social development that only hinders social progress.¹

The author of the present article is far from adopting the opposite point of view and from rejecting out of hand everything that the neoconservatives propose or do especially because in the last decade they have done much to correct a number of biases dating back to the preceding period—for which the reformers were not the least to blame. Believing nonetheless that this circumstance does not provide any grounds for evaluating so negatively everything that the social democrats have done and are doing, the author offers his version of the answer to the question of what the real role and place of social democracy is in the social development of Western countries.

Political Democracy and the "Welfare State"

The assumption of power by numerous social democratic parties after the war, which coincided with the objective needs of the capitalist economy for the deeper and more fundamental state intervention and the dramatically greater aspiration of the masses for social justice made social democracy the most dynamic force behind social development for entire decades and the main factor in social progress in Western countries. And even though bourgeois-liberal reformers made no small contribution to this progress, it was specifically the social

democrats that set the tone for the reforms. Moreover, they did so not only where they were in power.

As a result of this type of activity, there were quite far-reaching changes of both a quantitative and qualitative order in social relations at all basic levels. A kind of reformist modernization of bourgeois society that substantially altered both its general nature and the functioning of its basic economic and political structures was carried out with a greater or lesser degree of consistency. In some cases, this modernization went so far that it became possible to speak about a certain new social democratic "model" of social relations. Being of a purely tentative nature, this term does not in any way mean that this model has entirely replaced or absorbed the entire spectrum of capitalist social relations. It should be only be understood in the sense that it personifies the most advanced (but not in any sense finished or all the more so "final") form of the reformist modernization of these relations.

Long before the social democrats were in power, they, and forces that agreed with them, made no small contribution to the development of socioeconomic and political relations in Western countries. Henceforth as is known, notwithstanding the slogans of equality and liberty proclaimed in the course of the bourgeois revolutions, the assumption of power by the bourgeoisie in the great majority of these countries was accompanied neither by the introduction of universal suffrage nor by the movement toward social justice. And only under the influence of the labor and democratic movement, which gained momentum, was there appreciable progress in both of these directions.

It was not by chance that the principal attainment of political democracy—universal suffrage—was won in most countries only after the labor movement and its organizations had become a mighty political force that had to be reckoned with. The same is also true of the other most important attainment of political democracy—the right to organize trade unions and political parties without hindrance and the freedom of political activity. In society as a whole and in the labor movement proper, social democracy was the most consistent force advocating democratic rights and freedoms and their protection. Dedication to the principles and norms of political democracy is the cornerstone of social democracy's ideological and political credo. And the fact that the basic norms and principles of parliamentary democracy have now acquired the character of commonly recognized values most graphically confirms the ability of social democracy to stimulate and accelerate profound qualitative change in the entire system of capitalist social relations and to transform capitalism "from within."

As shown by the events of our days, the confrontation between authoritarian and democratic trends in the political development of Western countries has not ceased by any means. And even though the basic values of political democracy are now recognized by all but right-or left-wing extremists, influential social and state

circles are trying to seriously restrict already won rights and freedoms, especially the rights of trade unions and other mass organizations of the working people, economic democracy, the autonomy of local self-government bodies, the prerogatives of parliaments, and other representative institutions. Being a decided opponent of such aspirations and actions, modern social democracy is one of the most influential forces struggling to preserve and expand the rights and freedoms that have been won, for the further involvement of the working people and their organizations in the political process. In so doing, it acts in every closer cooperation with other democratic forces and new social movements.

However, while the confrontation in the area of political democracy primarily revolves around already existing and quite stable sociopolitical structures and the principles of their functioning, in the sphere of social democracy, which is orientated toward attaining a greater degree of equality and justice, even the most impressive attainments of social democratic and bourgeois reformers are subjected to ever closer scrutiny for durability.

The "welfare state" or the "social state" is the general concept symbolizing these attainments. This concept is not an abstraction, nor is it an ideological or propagandistic slogan. Behind it stand very real systems of social insurance and state social services that have been established in practically all Western countries in the postwar period. The "welfare state" has most completely realized one of the fundamental ideas of social democracy: that the democratic state is the main instrument of social reform in bourgeois society. In the minds of social democratic theorists and ideologues, it is specifically the state that should (1) radically alter property relations, and (2) be the organ that guarantees the social protection of citizens.

Dedication to these common ideas does not mean, however, that social democracy was of one mind on the ways of attaining the given goals. In addition to the traditional Marxist (and Fabian) orientation toward the transformation of the state into the owner of the basic means of production and the direct administrator of social services, in the '20s and '30s there were other, appreciably different ideas.

These ideas were realized most completely by Swedish social democracy in the **"functional socialism"** concept. Instead of the "instantaneous" transformation of private economic units into state property (either through forcible expropriation or gradual nationalization), they essentially assumed a much longer road of gradual restriction of the owner's rights and prerogatives. The thesis that was first advanced by prominent Swedish social democratic O. Uden, according to which property is not "indivisible," that property, to the contrary, expresses its essence through various forms that can be divided and shared by different subjects quite easily, became the theoretical basis of this approach.

From this general premise the very natural conclusion was drawn that changes in property relations can occur even without the transfer of property itself entirely but through the redistribution of functions. As a result of this redistribution, the owner, while retaining the nominal and *de facto* right of the possessor, at the same time must share the right of disposition and management of property and income from it with the state and society. Proponents of this concept saw the advantages of relations of this type to lie primarily in the fact that they make socialization a gradual process without the painful severance of existing social ties. What is more, it is not necessary to create unwieldy, awkward management structures. The market basis of the economy that enables it to react promptly to the demands of consumption and to "preserve the spirit of enterprise that is characteristic of private business"² is also preserved.

The functional socialism concept led Swedish social democrats to a unique understanding of the mixed economy that differed substantially from the views held by social democrats in other Western countries. According to these views, a mixed economy is a purely mechanical combination of state and private capitalist property. The bigger the state sector becomes, the "more socialism" there supposedly is. But in accordance with the approach of Swedish social democratic leaders and ideologues, the "merger" of the private and the public must occur on a fundamentally different, functional basis and moreover, as they maintained, their correlation may change in the process of "functional socialization" and in time may transform the owner [*sobstvennik*] into a purely nominal possessor [*vladelets*] just like one who was once an absolute monarch but who became a figure devoid of real power.

For all the conditionality of this comparison, the actions and experience of Swedish social democrats largely confirmed the correctness of [their] initial premises and the effectiveness of the path chosen by them. While keeping the private capitalist sector of the economy almost entirely intact (the Swedish state owns less than six percent of all production capacities), through the redistribution of profits (that is, by taking a considerable part of the fruits of ownership from the immediate possessors) and through other redistributive measures they at the same time produced a situation in which the share of social consumption and investment in the social sphere with the aid of the state rose from 15 percent of the GNP before the war and 17 percent immediately after the war to approximately 30 percent at the beginning of the '70s.

Notwithstanding the total uniqueness of the Swedish experience, there is no basis for considering it unique in the full sense of the word. As is known, following World War II, the redistributive and regulatory role of the state increased sharply in all Western countries. The social democrats, trying to realize the ideas of the "welfare state," did everything they could to promote this.

Nevertheless, the conscious, purposeful strategy of "functional socialism" enabled Swedish social democracy to go farther than others along this road because they viewed the "welfare state" not only as a means of attaining a greater degree of social justice, but also as the main road to the creation of fundamentally new, socialist social relations.

"Security from birth to death," i.e., above all the creation of effective pension, social insurance, and assistance programs for illness, unemployment, loss of breadwinner, childbirth, etc., was proclaimed to be the goal of the welfare state. Unlike a number of countries, including those where the social democrats had been in power for a long time, the social insurance and assistance programs in Sweden really do quite a good job of helping everyone who needs them.

Social democrats initiated such measures as loans for young newlyweds and subsidies for university students not receiving a scholarship for one reason or another. The state pays the funeral costs of the indigent. Disability insurance payments to the disabled and unemployment compensation for low-paid categories of working people are as high as 90 percent of their previous income.³

Sweden's existing health care and public education systems provide not only the right of access to them for the entire population but also a considerable higher level of services than in other Western countries.

The foregoing is confirmed by comparative data on the share of state social spending in Sweden and in certain other West European countries. While this share in Sweden is one-third of its GNP, in the Federal Republic of Germany and Italy, it is one-fourth, and in the USA and Great Britain—one-fifth.⁴

The program developed in the postwar period for maintaining full employment is an exceptionally important and probably most original element of the Swedish version of the welfare state. Originally intended primarily to avert unemployment, it was subsequently also adapted for retraining personnel, for involving invalids in labor activity, and for providing employment to young people coming of age. Raising the vocational and geographical mobility of the labor force and the adaptation of the labor force to the conditions of rapid structural and technological changes in the economy became its most important goals.

Legislation adopted back in the '50s established the National Labor Market Administration that is made up of representatives of associations of trade unions of blue- and white-collar workers, business organizations, farmers, women, and the state administration. A vast network of regional and local administrations structured like the National Administration was also established. The administrations have a number of specialized task-forces.

In addition to addressing its own immediate tasks, an administration makes recommendations on investment policy, on the professionalization of school education and other questions connected with employment and manpower mobility. In cooperation with business and trade unions, it carries out measures to stimulate regional development and crisis-control measures.

The National Administration absorbs a growing share of state funds. While in the '50s, its expenditures totaled less than 0.5 percent of the gross national product, in the '70s this share had grown to 2-3 percent. Its performance is no less impressive. During the crises of 1966-1968 and 1971-1973, the administration succeeded in preventing the unemployment of 4.5 percent of the workforce through various forms of employment and retraining.⁵

The administration has also promoted a significant increase in the occupational and territorial mobility of the work force and its adaptation to the higher demands imposed by scientific-technical progress. Many observers note the constructive role of trade unions and their efforts to counteract "Luddite" tendencies in the working class as a substantial accomplishment of this system. Unlike trade unions in certain other countries, which are either passive or hostile to structural innovations in the economy, Swedish trade unions, both inside and outside the National Administration, usually proceed from the necessity and desirability of innovation and structural modifications in the economy. The mechanism for regulating the manpower markets, which was also created at their initiative, enables them to stand above the corporate interests of individual groups of working people and to find solutions that are acceptable to everyone.

The principles of interaction of social and state structures upon which the system for maintaining employment is based are not something exceptional. They are determine the functioning of a number of other services and the Swedish state's welfare systems. Their most important feature is their high degree of autonomy and the key role of social organizations: trade unions and employers' unions, farmers' organizations, associations of ecologists, consumers, women, people in the free professions, representatives of the local community, etc. These organizations and groupings essential form—naturally with the consent of the highest organs of state power—the backbone of the managerial structures of the given systems and services. The state, in the person of its representatives, performs more the role of coordinator and supreme arbiter that sees to it that the systems operates in full accordance with existing legislation.

Thus the Swedish version of the welfare state is characterized not only by the higher level of "state" social services but also by its unique structure that makes it possible to draw influential social forces into government and to delegate certain functions of state administration to them. This is the same "functional socialization," only as applies not to private capital but to the state.

The functional socialization that is carried out most successfully by Swedish social democrats would appear to be especially attractive to countries in which the etatization [*etatizatsiya*] of sociopolitical life has gone especially far. Not only because this is the way to the least painful "destatization" [*razgosudarstvleniye*], but primarily because unlike the "privitization" prescriptions of the neoconservatives and advocates of the monopoly of private property in our country⁶, this path of debtatization of social services does not lower but, to the contrary, sharply raises the degree of society's involvement and its most dynamic representatives in the administrative process.

Principles of formation and activity of the institutions and systems of the welfare state that have been tested in Sweden are being more and more decisively adopted by the social democratic parties in many Western countries, not only with respect to the modification of the approach to the methods and forms of socialization of property, but also with an eye to the more active involvement of social organizations and interested groups in the political process.

Sweden's overall positive experience does not, however, exclude a number of negative features. Among them: the virus of bureaucratization that extends to the upper echelons of social organizations; the excessive strain on the state budget; and the inability of the state to resort to more and more new spending to maintain social services at the level corresponding to present demands. Finally, there is also the social dependence psychology that has developed among a certain part of society and that prevents the effective use of the country's labor potential.

These and similar phenomena have prompted the ruling circles in most Western countries and especially the neoconservatives that have come to power, to make substantial changes in the existing system of social insurance and services. In particular, they have appreciably reduced unemployment benefits and certain other types of aid so that a person losing his job cannot count on a more or less decent existence if he remains out of work. However, the initial plans for drastically reducing allocations and even dismantling existing welfare state systems have not been implemented. Under the pressure of the broad public, conservatives have frequently been compelled to even increase expenditures on social needs, to be sure, far short of the amount that would be required to bring social services into line with the higher demands of the consumer.

A far more serious innovation of the conservatives has been the establishment (in parallel with existing state systems and in some places within their framework as well) of a kind of "private sector" that is called upon to become if not the alternative to, then at least a serious competitor of state services.

Both the very fact of the crisis of the welfare state and the support of some of the conservatives' initiatives by

voters have compelled social democrats as well to recognize the "de facto" feasibility of developing a private social service sector in addition to the state sector and of the implementation of certain measures to economize state spending on social needs and to secure their more rational use.

Swedish social democrats have also been compelled to make corrections in their polity. The existing level of taxation (the sum of which comprises 56 percent of the gross national product)⁷ is so high that a further rise is fraught with substantial economic costs. At the same time, the quality of medical service and the state of school education evoke serious criticism from the population. All this generates not only criticism on the part of bourgeois parties and the voters that support them, but also causes discord among social democrats themselves, the most pragmatic of whom insist on "healing" the system through significant injections from the private sector and the corresponding introduction of competitive principles into it. At the same time, advocates of these measures favor strengthening the mechanisms of the market economy primarily by lowering the excessively high direct taxes, not only on employers and large owners but also on a considerable part of the population, in order to give it the possibility of spending its earnings as it sees fit. The proposed measures are also designed to slow down the growth of inflation which, given the manpower shortage, cannot be reduced by the traditional method of national wage rate agreements. Thus, even the "Swedish model," which has up to now been a kind of standard, is forced to adapt to the appreciably changing socioeconomic reality and to lose its characteristic "collectivist purity."

The trend toward developing private systems of social services in addition to state systems is generated by the objective development of social relations in Western countries and in particular by the sharply increased differentiation and individualization of consumer interests. Social democracy, trying to take these changes into account and to adapt to them, is making certain steps in the direction of the conservatives and is adopting from the concepts and practices of the latter that which, in their opinion, answers the demands of time.

The reduction of distinctions between social democratic and conservative "models" nevertheless does not mean the disappearance of fundamental differences between them. For all the changes seen in recent years, the former is still based on the priority of social interests whereas the latter is based on private interests. Naturally, this difference is less vividly manifested at other levels of social relations.

Social Partnership and "Functional Democracy"

Efforts to democratize the sphere of social relations in which "interest groups" or as they are sometimes called "associations based on interests"⁸ have occupied and continue to occupy no small place in both the theory and practice of Western social democracy.

While clearly recognizing the fact that the interaction of interest groups with one another and with the state is one of the most important spheres of social relations and that it has a substantial impact on the functioning of basic sociopolitical structures and sometimes even determines it, social democrats have offered a quite integrated concept of these relations.

The most serious contribution to its formulation was made by representatives of so-called Austromarxism and O. Bauer⁹ and K. Renner, its leading theoreticians. It was specifically they that formulated the "functional democracy" concept, which means that the democratic interaction of "functional associations," as interest groups are sometimes called, is one channel of expression of democratic will.

The first attempts at the practical implementation of the ideas of functional democracy were made by its advocates back in 1918-1920 on the wave of revolutionary enthusiasm of those years. However the defeat of the labor movement and its insufficient maturity during that period were responsible for the failure or, more precisely, the collapse of these experiments that took place for the most part in Austria.

Another, significantly more successful attempt to realize these ideas was made in the '30s by Swedish social democrats who upon coming to power established, with the agreement and approval of trade unions and employers' organizations, a mechanism for coordinating the interests of labor and capital at the national level. This mechanism, which was primarily oriented toward the joint regulation of prices and wages, became one of the central links of the "Swedish model" and is still functioning.

One more direction of interaction of interest groups, that is not directly connected with social democracy and that could be called a "creeping partnership," was developing in the prewar period or more precisely since the beginning of World War I. The reference is first and foremost to the creation of all manner of councils and committees that for the most part perform advisory functions in governments and socioeconomic ministries, in which representatives of interest groups and the state administration coordinate approaches to the solution of specific socioeconomic problems and develop compromise recommendations. This type of development not only substantially modified the mechanism that controlled socioeconomic processes, but also demonstrated the existence of important objective prerequisites for farther-reaching, larger-scale development projects of this type.

The social partnership system that formed in Austria is the most advanced variant of this type of project. While it started forming immediately after World War II, the decisive step was taken in 1957 when a parity commission on prices and wages was established. The commission was staffed by the chancellor and three ministries (trade, social security, and internal affairs), by representatives of the working people and employers, as well as

by experts. The commission meets monthly and its decisions are unanimous. The sittings are chaired either by the chancellor or his deputy.

A subcommittee on prices was established under the commission at that time. Five years later, the commission established a subcommittee on wages.

The restriction of the activity of the parity commission and its subcommittees to a relatively narrow range of problems evoked the dissatisfaction of influential trade union circles from the very beginning. Together with the leadership of the Austrian Socialist Party, they more and more decisively insisted that its powers be expanded. As a result of this pressure and change in the originally rigid position of business circles, in 1963 a new agreement was concluded that provided for the considerable enhancement of the commission's jurisdiction and its right to examine and decide all basic questions of economic and social policy. At the same time, a council on economic and social problems was established. A number of task forces (for long-range national economic forecasts, the budget, market competition, etc.) operate within the council.

Such serious expansion of the parity commission's functions opened up a qualitatively new stage in the development of the social partnership system in Austria. The parity commission and the institutions propping it up became one of the most important links in the country's political mechanism.

Established in 1963, the system has proven to be quite viable and, notwithstanding substantial difficulties that it encountered in the '70s and '80s, it exists in roughly the same form today.

The relative stability of the Austrian system of social partnership stems in large measure from the fact that the active participants in its establishment included not only trade unions and the socialist party, but also the Austrian People's Party, whose ideology was strongly influenced by Christian social doctrine, which also occupied a leading place in Austria's coalition government. Closely connected with business circles, it largely influenced their attitude toward the ideas of social peace and social agreement, as a result of which the dominant mood in the nation was "consensual."

Sweden's system of interaction of interest groups is another quite stable variant of functional democracy. As already stated, its beginning dates back to the prewar years. A distinguishing feature of the Swedish system is the significantly higher degree of autonomy of "social partners" from the state.

Notwithstanding very substantial differences in the interaction of interest groups and in the principles and powers of the corresponding institutions, the Swedish and Austrian systems share the common premise that the "social partners" themselves have the decisive word in developing the basic parameters of socioeconomic policy based on consensus and compromise.

The success of both countries in restricting strikes, inflation and unemployment, and their stable and competitive economies have motivated social democratic and bourgeois reformers in many other countries to work in the same direction. As a result, for most of the '60s, various kinds of structures designed to promote constructive cooperation of the major interest groups and to facilitate the solution of pressing socioeconomic problems were established almost everywhere in the West. These were the specific problems that France's Social and Economic Council, Great Britain's National Economic Development Council, Canada's Economic Council, the Federal Republic of Germany's "concentrated action" mechanism, and similar structures in a number of other countries tried to address. Even in the USA during the years the Democrats were in power, an advisory committee on labor and management was instituted (under Kennedy) and an advisory committee on economic growth problems was subsequently established (under Carter).

All these and similar organs became something like the apex of a pyramid consisting of an enormous number of committees and commissions that emerged as a result of the "creeping" spread of functional representation primarily at the ministry level as well as at the local and regional level.

The establishment of a system of functional representation reflected changes that have taken place in social relations, consisting in the fact that as bourgeois society develops, in addition to the class struggle and ever larger part is played in it by the interaction of groups and group interest that concretizes and supplements the class interest.

It consequently becomes necessary to evaluate in a new way social democracy's approach to the class struggle and class cooperation as well as to take a critical look at our own ideas regarding the forms and methods of the working people's struggle for their interests and, in particular, the essence and character of economic and political struggle (which is usually identified with strikes) as the lowest form, as the first stage of the class struggle that must inevitably grow into the second, higher, i.e., political stage, looks clearly obsolete and at odds with reality under present conditions because the strike struggle in the great majority of cases is in fact first of all a means of depending group, corporate interests of various detachments of the working people and is not an assault against the capitalist order. From this it follows that the impression of the intensification of "class battles," that are supposedly shaking the citadels of capital, that our mass media have tried to create for decades by devoting a disproportionately large amount of space to reports about strikes, has had little in common with reality.

At the same time, as all postwar and, in part, prewar experience shows, it was been specifically the "conciliatory" methods and forms of struggle, especially such forms as collective "bargaining" at branch and especially

at national levels, as well as actions through organs such as the parity commission and similar institutions express group and general class socioeconomic interests of the working people and promote their combination with national interests much more deeply than the strike struggle which in the great majority of instances is conducted at the branch or enterprise level and is only an extreme means of obtaining concessions within the framework of the same bargaining process.

Consideration of changes that have taken place in social relations makes no less serious corrections in the understanding of the political struggle. In accordance with Marxist tradition that formed during the "proletarian" period of the labor movement, when it was oriented, even if by no means entirely, toward the revolutionary overthrow of the capitalist system, political struggle was primarily understood as deliberate, organized actions leading to this goal. The struggle of working class parties for the voter, for obtaining political power or participating in it through peaceful means was also recognized as one of the directions of political struggle. At the same time, the struggle for the voter was regarded more as an "auxiliary" struggle reinforced by direct actions of the masses aimed at the revolutionary restructuring of society.

Given such an approach, all or almost all actions directed toward the creation of "social partnership" or as they are still sometimes called "neocorporate" structures were naturally excluded from the arsenal of political struggle. What is more, actions of this type were described as being directed against the interests of the working class and all working people, as promoting their subordination to capital, their "integration" into the existing system, and so forth and so on. However, as all postwar experience shows, it was specifically such methods of political struggle directed toward strengthening the positions of the working class and its organizations in the power mechanism that, in addition to the use of traditional representative institutions, led to the most serious qualitative changes in the material, legal, and political status of the working class and its organizations.

In connection with what has been said, serious corrections should be made in the understanding of the terms "agreement," "partnership," and even "compromise," as supposedly excluding struggle or as contradicting this concept itself. In reality, both the establishment of partnership structures, even if directly by bourgeois reformers, and interaction within or around these structures take place in the constant and sometime acute confrontation of social and political forces activated by these structures and relations. What is more, it is not by any means limited to the immediate participants in this interaction. It includes practically all interested social forces, especially the labor movement, within which there is also struggle over all these questions. Thus, this is not by any means a conflictless "agreement" or "conspiracy" of the top elites (even though both one and the other frequently take place). It is above all a difficult,

contradictory process that is determined to a decisive degree by the power and organization of the labor movement, by its awareness of its own class interests and the interests of society as a whole. It is no longer the class struggle in its traditional form but is rather "conflict cooperation" corresponding to the new conditions that have originated in the present "nonproletarian" stage of the labor movement. What is more, the reason they have originated is not least the result of the efforts of the labor movement itself and social democracy as one of its component parts.

Such "cooperation" enjoys varying success and progress does not come easy. This has been particularly evident since the mid-'70s, when the crisis of Keynesian methods of socioeconomic regulation and the reform concepts and approaches based on them led to serious disruptions in the functioning of the social partnership system.

Notwithstanding all efforts by the reformers, the "non-corporate" structures they created in the '60s and '70s did not become authoritative institutions of social consensus capable of stabilizing the situation, averting inflation, and creating favorable conditions for crisis resolution in most countries. The flareup of the strike struggle, the economic and structural crises of the '70s and the growth of unemployment that followed them created a situation that these institutions proved to be incapable of controlling. Some of them were either dissolved (as was the case in the USA under the Reagan administration) or either ceased to exist as a result of their reluctance to participate in one aspect of them (this is specifically what happened in the Federal Republic of Germany where trade unions responded to employers' refusal to recognize the 1976 law of parity participation by boycotting the concerted action mechanism).

Nor were attempts to attain the same goals by concluding special agreements of the social contract type in Great Britain (1974-1978) or "pacts" between the government, employers, and trade unions that were practiced at the end of the '70s by Spanish governments too successful.

However, these institutions were preserved there too. With rare exceptions, they lost their not very high original weight and prestige, but in some cases were quite openly slighted by the authorities (as was the case after the Conservatives came to power in Great Britain). Even the foundations of the Austrian and Swedish systems were shaken during this difficult period for reformers.

Both there and here, decisions made within the framework of the existing partnership structures were frequently unfulfilled on the whole, the agreement between partners became less firm and, as happened in Sweden in the early '80s, contradictions between them were sometime addressed in the course of the appreciably intensified strike struggle. The uncontrollable growth of wages intensified correspondingly and the inflationary spiral began.

The prestige of partnership structures was seriously damaged by the virus of bureaucratization which infected not only state organs involved in them, but social institutions as well.

Under these conditions, social democrats who were in power during that period were compelled to adopt some of the methods of their opponents. In Austria, for example, the government's policy of economic austerity and monetary control, which came to be known here as "Austromonetaryism," was superimposed on the social partnership system. Swedish social democrats, as well as social democrats and socialists in other countries in which they were the ruling party, also began following approximately the same line.

The result is a complex, occasionally painful process of interpenetration and reciprocal adaptation of partnership and power methods of coordinating group interests, market and competition mechanisms are activated, and a structure that operates simultaneously on the basis of two seemingly mutually exclusive principles. In reality, however, in addition to the deep internal contradictoriness of these principles and the sociopolitical conflict that is born of this contradictoriness there is also a principle that units them, specifically the synthesizing interest of the system as a whole. Where interest groups are unable to secure this interest themselves, other methods threatening to moderate their claims and to make them subordinate to a higher priority—the priority of maintaining the viability of the existing system of social relations.

However, while recognizing the necessity for intensifying market and competitive principles in the social partnership system and for its de-bureaucratization, the social democrats do not intend to abandon either this system as such or the line of democratizing it, of bringing new interest groups—ecologists, consumers, and even anti-war organizations—into it. Judging by the latest social democratic program documents as well as the practical actions of those social democratic parties that are in power, it is specifically by transforming the social partnership into genuine functional democracy (rather than through the amortization of society that the conservatives are primarily banking on) that they are trying to overcome the discrepancy that has arisen between the traditional social partnership and the needs of social development.

Production Democracy

The social democratic concept of "production (or industrial) democracy" was the concrete embodiment of the ideas of democratic socialism at the microlevel.

The Webbs—the founders of Fabian socialism, F. Naf-tali, a well-known figure in Germany's trade union and social democratic movement, and many others made their contribution to its formulation. This concept found its most complete practical embodiment in the Federal Republic of Germany in the postwar period.

At the enterprise level the production council, elected by the entire work force at enterprises with 5 or more hired persons, has become the principal organ of "co-participation." Elections to the council are by secret ballot. The term of office of a nearly elected council is limited to 2 years. According to the existing legislation, the production council has the obligation to act as a "cooperative trustee" with [doveritelnoye sotrud-nichestvo] with the employer and the administration. It is also forbidden to engage in any kind of activity that is detrimental to "peace at the enterprise." The authority of the production council includes participation in the solving of problems connected with regulating wage rates (within the framework of wage rate agreements), establishing the work day routine, workplace safety measures, and the sequence of leaves. They participate directly in the management of enterprise social services (canteen, outpatient clinic, kindergarten), in the assignment of plant housing, and in resolving other questions pertaining to the collective's social life. The administration frequently gives councils the right to make their own decisions on many of these questions.

Production councils also participate in the solution of such problems as planning the volume of production, changing the enterprise production program, the introduction of new technology, the vocational training and retraining of personnel, territorial relocation of the enterprise or part of it, merger with other enterprises, and also all questions pertaining to personnel policy (hiring, firing, transfer of manpower, etc.).

Despite the tendency for the councils to become bureaucratized, a tendency that is especially appreciable at large enterprises, and the far from general active interest of personnel in their work, and the frequently sparse attendance, at meetings, the almost 40 years of the councils' activity indicates that they have in no small measure helped to draw the working people into the management process, to recognize their role and responsibility in addressing the major problems in the enterprise's production and social life, and have strengthened rather than weakened their solidarity and the potential for defending common interests.

At the same time, the councils have not in the least supplanted professional managers or paralyzed their activity. To the contrary, they have facilitated the adaptation of management to the new demands that originate in connection with changes in the workforce and its increasing rejection of Fordist-Taylorist, technocratic methods of management.

At the corporate level in the Federal Republic of Germany "co-participation" is realized by including representatives of the workforce in their observation councils and boards. The law of 1976 introduced the principle of parity representation for all companies with a work force of more than 2000 persons. However, it is mandatory that the work force's representatives include one

member who is elected by management. What is more, in the event of a tie, the council chairman casts the deciding vote.

Despite the resolute resistance of employers who appealed the law on parity representation to the constitutional court, the latter did not find that it contradicted the constitution and the law became effective.

Representatives of the work force in observation councils, who have at their disposal practically all the necessary information about the activity of the firm, participate in sittings of the councils that are usually convened no more than once a quarter, and who participate in informal contracts and consultations with the company's administration and production councils, have a serious impact on the entire decision-making process. What is more, since one of the most important functions of the observation council is to articulate long-range corporate strategy and to appoint members of the board, representatives of the work force, especially after the 1976 law was past, have a real opportunity to exert a direct influence on the resolution of the most important personnel problems and questions relating to the technical-economic and social development of the company.

From the point of view of representatives of the labor movement, which is shared by many investigators of the co-participation problems, many of these problems are still unresolved and the system of participation in management itself is still far from perfection. Nevertheless, it is not only in operation, but operates very successfully as the logical continuation of the collective contract system that determines on the basic parameters of relations in industry.

In addition to the "partnership" variant of participation, Western countries have also tried to introduce another, "syndicalist" model of participation of the working people in the management of production based on worker control concepts. Under this form of participation, the worker must be represented primarily by trade unions that enter into the role of spokesman of the interests of the entire collective, but that do not assume any kind of responsibility for the management of production and that retain complete freedom of action. The most serious efforts in the practical realization of this type of participation have been in Great Britain (chiefly through shop steward committees) and in a number of other West European Countries (especially in France and Italy).

The existence of the two above-examined trends in the development of production democracy is objectively the result of the ambiguity of the reformist labor movement and its organizations. On the one hand, they are interested in the constructive cooperation of labor and capital. On the other hand, they try to preserve their independence of employers and management, and fear being integrated into the management structure that is in their hands. It is not by chance that even in the Federal Republic of Germany, where the partnership model has

been affirmed most strongly, within the trade union movement there is a very palpable dissatisfaction with the extremely close involvement of the working people's representatives in this structure and voices are heard in favor of borrowing the experience and practice of British shop stewards.

For all this, it was specifically the partnership participatory system that proved to be most viable and effective and specifically it has the greatest potential for further development, especially considering trends in the development of property relations at the level of the firm which will be discussed below.

However, as events of recent years have shown, considerable difficulties have surfaced in the development of the partnership model of participation. Primarily designed to reduce contradictions and conflicts between labor and capital and to promote economic democracy, it at the same time has proven to be insufficiently adapted to actively stimulate economic effectiveness the growth of labor productivity, product quality, greater flexibility of production structures, job satisfaction—i.e., everything that has become a most essential condition to normal socioeconomic development in the present stage.

The objective need has correspondingly developed for such forms of participation as would be oriented to the realization of all these tasks. And the corresponding forms and methods began to appear in part spontaneously and in part under the influence of business, scientific, and political circles that more often than not had no direct ties to social democracy and were even opposed to it. On the ideological and political plane, this direction of development proved to be closest to the neoconservative current even though the latter does not by any means represent it entirely. Autonomous brigades, "quality circles," "progress groups," "enterprise development groups," etc., are the most common forms of this type of "target participation" [*tselevoye uchastiye*].

Notwithstanding the occasionally very severe criticism leveled at "quality circles" and certain other forms and methods of stimulating the workforce's labor activity and initiative by social democratic and especially trade union circles, on the whole the attitude of the organized labor movement toward targeted participation is not by any means negative. What is more, in certain cases it was specifically the "co-initiator" of its introduction. Thus, the replacement of the conveyor system by a system of autonomous brigades was first developed on a broad scale and introduced by a production committee at the Swedish Volvo company and Swedish social democrats and trade unions not without grounds consider autonomous brigades to be one of the component parts of the industrial democracy system introduced by them. Most social democrats are also very positive in their acceptance of the new methods of management that were discussed above, because essentially all these forms and methods do not oppose traditional co-participation, but rather supplement and complement one another, making

the industrial democratic system more integrated and stable. It is noteworthy that the law past by French socialists in 1987 creating "opinion expression groups," which was aimed at strengthening traditional forms of participation (such as enterprise committees and workforce delegates) began to evolve quite soon in the direction of already existing "progress groups" and thus tended to promote the strengthening of "targeted participation."

The reduction of differences between traditional and new directions of co-participation, behind each of which there are usually competing political forces, did not by any means blunt the ideological and political contradictions between these forces, *inter alia* in the co-participation sphere because if the social democrats and their supporters in the labor movement favor the all-round development of production democracy and all forms of participation in management, conservative and especially right-wing conservative forces view "targeted participation," the new methods of personnel management, and even "partnership," in the context of neopaternalist ideology primarily directed toward strengthening the power of the employer and toward increasing the effectiveness of production.

The failure of social democracy's many hopes for nationalization and collectivist forms and methods of capital socialization prompted it to revise its negative attitude toward the theory and practice of redistributing property by "individualistic" methods, i.e., primarily by transforming a considerable part of the hired workforce into stockholders. As is known, there have been very substantial changes in this regard in the last few decades and, moreover, in many instances the workforce has acquired a controlling stock package. Considering these circumstances, a number of social democratic parties, especially such influential parties among them as the British Labor Party, the Social Democratic Party of Germany, the Social Democrats in Scandinavian countries, Austrian, Italian, and French socialists are abandoning their old views of the "antisocialists" and "anticollectivists" nature of the ideas and practices relating to the ownership of joint stock by the workforce. At the same time, social democracy decisively defends proven collectivist forms of "co-participation in property" and opposes attempts by right-wing conservative circles and their supporters in the business community to use the "diffusion of property" as a means of strengthening the power and influence of private capital.

As in the case of co-participation in management, there is a kind of merger or, more precisely, reduction of distinctions between the two basic directions of evolution of property relations: collectivists, social and private, individualists.

For all the contradictoriness and heterogeneity of this development, despite the social and political confrontation that accompanies it and to no small degree determines it, the further democratization of power and property relations, the strengthening of the influence

that the working people and their representatives exert at all the major levels of the social edifice is the main direction of development of social democratic policy.

Footnotes

1. See, for example, ZNAMYA, No 11, 1989, pp 183-202.
2. G. Adler-Karlsson, "Functional Socialism," Stockholm, 1967, p 22.
3. "The Swedish Budget 1989/90," Stockholm, 1989, p 169. For detailed information concerning the system of social services in Sweden, see K. G. Gorokhov, "'Gosudarstvo blagosostoyaniya': shvedskaya model' [The Welfare State: The Swedish Model], Moscow, f1989.
4. "OECD in Figures, 1989," Paris, 1989, pp 16-17.
5. G. Rehn, "Cooperation Between the Government and Workers' and Employers' Organizations on Labour Market Policy in Sweden," Stockholm, 1984, pp 7, 9.
6. See, for example, the article by B. Pinsker and L. Piyasheva "Sobstvennost i svoboda" [Property and Freedom] (NOVYY MIR, No 11, 1989, pp 192-194, 197-198).
7. "Sweden in Brief," Stockholm, 1989, p 26.
8. According to the generally accepted definition in both Western and Soviet sociological literature, "interest groups" are organizations and associations that defend the specific interests of individual social and occupational communities or that set themselves a certain specific goal. In the latter instance, their social makeup can be quite varied. Unlike political parties, interest groups do not set forth broad sociopolitical programs and do not strive for political power.
9. See, for example, O. Bauer, "Der Weg zum Sozialismus," Vienna, 1921.

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A View on the Navy Through the Prism of Military Perestroyka

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[Text] Military reform is one of the problems of all-Union significance which has not yet been given due attention by our legislators. Many current deputies have spoken about its necessity in their preelection platforms. The question of military reform was raised fairly sharply during consideration of D.T. Yazov's candidature for the post of Minister of Defense. Hearings on this subject have started in the Committee on Questions of Defense and State Security but, unfortunately, they are being held in an atmosphere of total secrecy, also excluding other people's deputies. At the second Congress of People's Deputies, in the speeches of General of the Army M.A. Moiseyev, chief of the General Staff, academicians G.A. Arbatskiy and V.I. Goldanskiy, Lieutenant General A.I. Ovchinnikov, and Colonel V.N. Ochirov, deputy chairman of the Committee on Questions of Defense and State Security, we heard distant reverberations of those peals of thunder which evidently await us when broad discussion on all aspects of military reform gets under way in the Supreme Soviet.

Obviously it will touch upon the structure and composition of the Armed Forces, methods of manpower acquisition, the mechanism for financing, military industry, and much more. In short, reform is necessary because our approach to military policy is radically changing and significant shifts are occurring in the general situation in international relations. There is one other consideration: we are counting on the fact that a reduction in the military budget will help us to fulfill our plans of economic perestroika. In all countries of the world, the Navy is considered to be an "expensive" branch of the armed forces. The construction of warships and naval aircraft and the creation of a base infrastructure presupposes the allocation of many millions and even billions of rubles. Provided that the country's genuine defense needs are satisfied, savings in the military and naval sphere would considerably help to overcome the social and economic crisis in which the country has found itself today.

During the second Congress of People's Deputies, one of its participants, Fleet Admiral V.N. Chernavin, Commander-in-Chief of the Navy, shared with me some of his views on the fate of perestroika in the USSR Navy. In particular, he noted that what he expects from the People's Deputies is "not only reasonable sufficiency in determining the country's defense needs, but also sufficient reasonableness in their approach to this question." From his point of view, although the Armed Forces, along with the whole of society, are in need of perestroika, they have been least affected by the negative phenomena of the past and it is precisely in the military sphere, as in no other, that great successes have been achieved.

Of course it will not be easy to implement military reform. There is a paradox in the fact that, from the point of view of certain formal criteria, any big changes in plans for the utilization of Soviet Navy organizational development and training could appear to be wholly inexpedient. Let us turn our attention to what two

military leaders—one Soviet and one American—have had to say. General of the Army M.A. Moiseyev concluded from an analysis of the balance of forces that the U.S. Navy had "substantial superiority" over the USSR Navy. Vice Admiral G. Mastin [name as transliterated], U.S. Naval Headquarters deputy chief of staff and the individual responsible for operational planning, in summarizing the results of the buildup of Soviet naval power, spoke of the fact that the Soviet Navy "as before, is defensively oriented."¹

One should take account of the fact that, compared with the combined military and naval power of all the NATO countries, the balance of power is changing still less in our favor. Furthermore, the country's unfavorable geostrategic situation (warships have to access the open sea through straits and narrow channels which are outside of our control) and also the necessity of having the Navy dispersed in regions which are far apart (the North Atlantic and Arctic Oceans, the Baltic Sea, the Black Sea, and the Pacific Ocean) have an adverse effect. All this, according to the logic of things, compels the USSR Navy to place emphasis on defensive tasks.

Nevertheless, it seems that the perestroika of Soviet defense policy on the basis of reasonable sufficiency and the need to release resources and funds for the accelerated social and economic development of the country compels us to look more closely at those functions which have been traditionally assigned to the USSR Navy.

* * *

Obviously, it will be difficult to understand why we have such a navy as we do unless we look at its history. The latter has many blank spots, which is not surprising, as the history of military organizational development over the last 40 years has been covered in a veil of strict secrecy. Available sources enable us to arrive at only a very incomplete and sketchy reconstruction of the evolution of the USSR Navy.

It is difficult to avoid the impression that, when the task was set of creating a Soviet ocean fleet in the prewar and immediate postwar years, the corresponding programs were based to a large degree on a mechanical transfer of the experience of the naval powers to our conditions. The idea of acquiring supremacy at sea ostensibly inspired the authors of these plans. As a result, unrealistic projects were developed, such as the first postwar ship construction program, which, despite the collapse of the economy, was aimed at bringing into service nine battleships each with a displacement of 75,000 tons, 15 aircraft carriers, 12 heavy and 60 light cruisers, and more than 500 submarines.² It is not surprising that this program remained unrealized.

Furthermore, according to the opinion of Western researchers, those in charge of Soviet military and naval organizational development in the first years after the war were guided by a false prognosis—influenced by the landing of Anglo-American troops in Sicily and later in Normandy, the Soviet command was preparing to

thwart amphibious operations in the event of war with its recent allies. Meanwhile, the "amphibious" threat did not materialize as a result of a 90-percent reduction in the number of American amphibious warfare ships.

The second stage in the development of the Soviet Navy began in the mid-fifties. The change in political leadership at that time gave scope for creative searches in the matter of naval organizational development and of overcoming the deadlock which naval organizational development had reached as a result of the orientation toward qualitative parameters and foreign experience. A number of factors influenced the subsequent course of events: scientific and technical progress, the dynamics of a foreign threat, the evolution of Soviet foreign policy and military strategy, and the personality factor.

A young, 46-year-old S.G. Gorshkov was assigned to the post of Commander in Chief of the Navy in 1956. The commanders of the other branches of the Armed Forces were repeatedly replaced but S.G. Gorshkov continuously commanded the Navy Department for 30 years. N.S. Khrushchev, who nominated him to this position, had known S.G. Gorshkov since the Great Patriotic War. The Commander in Chief, who was deputy commander of the Novorossiysk Defensive Region during the war, was still closer to L.I. Brezhnev. The skeptical attitude of military "non-seamen" toward the navy that is prevalent in many countries would certainly have had far reaching consequences if S.G. Gorshkov's energetic nature had not withstood it. In a definite sense, his role turned out to be similar to Admiral H. Rickover's role as "father" of the U.S. Nuclear Navy. The fundamental reconstruction of naval forces rearment during the postwar decades presupposed the appearance of authoritative leaders who were capable of defending costly projects.

S.G. Gorshkov headed the Naval Command during a quite complicated period for the Navy. In 1954, a decision was made in the USSR on construction of an ocean-going nuclear missile navy.³ The sensible thought that we could not succeed by attempting to compete with Western countries' navies in traditional directions lay at the basis of this decision and its subsequent realization. Furthermore, the USSR had weapons available that in many ways neutralized both the quantitative and technical superiority of the Western countries' navies. A nuclear warhead accurately delivered to a target from onboard a small ship actually made it equal to a cruiser or even to an aircraft carrier. The USSR Navy already had nuclear weapons in its inventory in 1954.⁴

Saturating the navy with modern submarines permitted us to sharply increase its strike capability. During the second stage of naval organizational development, attention was concentrated on construction of precisely this component of the Navy that presented the greatest threat to enemy naval forces.

At the same time, the USSR Navy began its rapid mastery of other combat equipment—cruise and ballistic

missiles. Their installation on ships provided the capability to inflict strikes on the enemy from greater and safer distances. It also provided another important advantage. The selection of targets that were within the range of nuclear retaliation increased. The build-up of the number of nuclear weapons platforms by using naval ships and primarily submarines, advanced the Navy forward to new positions in the Armed Forces structure, although not immediately. The process of reducing U.S. nuclear superiority accelerated with the nuclearization of the Navy. And the Soviet Union determined that accomplishing precisely this mission was the state's number one priority.

The development of long-range missile-carrying naval aviation became another Naval direction to which they decided to devote increased attention.

However, the innovative view on the navy had a reverse side. Views began to be disseminated that negate the significance of surface ships in the nuclear missile age. They were considered to be vulnerable to nuclear strikes. It was not clear which missions surface ships could carry out in warfare, given the existence of weapons of mass destruction. N.S. Khrushchev criticized the Navy for building these ships and called it the insatiable consumer of iron and steel. Speaking to the Supreme Soviet in January 1960, N.S. Khrushchev openly asserted that naval surface warships and along with them the navy in general had lost their previous significance.⁵ Literally several months earlier during a visit to the U.S., the head of the Soviet Government had shared with representatives of the American press his plans to reduce the number of cruisers in the USSR Navy by 90 percent.⁶ These plans were not destined to be realized. The irony of history consists of the fact that replacement of the Commander in Chief of the Navy in 1956 that had been caused by the approval of the new concept of the navy's role and the aspiration to turn its structural development into a completely different channel brought a man to this post who exerted quite a bit of effort toward the development of a navy that has at its disposal a substantial number of both submarines and surface ships, including major surface ships.

The approach to the surface element of the Navy endured changes with time, but its development was initially held back. One finds the assertion in the Western literature that total displacement of new vessels annually transferred to the USSR Navy was reduced by 60 percent during the second half of the 1950s and that released production capacity was handed over for construction of non-military ships.⁷

In the absence of precise data, we can hardly provide a true assessment of the zig-zags in military ship construction during the second half of the 1950s—beginning of the 1960s. It is obvious that S.G. Gorshkov primarily had this period in mind when he wrote: "...Development of a navy requires serious and profound scientific research. Manifestation of voluntarism and subjective methods are absolutely inadmissible here." We would

like to stress that the study of military reform associated with the name of N.S. Khrushchev still awaits its own researcher who will undertake the attempt to separate the wheat from the chaff. Really today we sympathetically recall N.S. Khrushchev's efforts to raise the level of material sufficiency of the Soviet people at the expense of optimal military organizational development. Reduction of Armed Forces strength, emphasis on development of strategic missiles, and not long-range aviation, the advantage assigned to construction of the navy's submarine and not surface forces—these were all proper concepts that obviously were not too well thought out and were too impulsively implemented.

Various military political circumstances, but especially our country's involvement in straight-forward competition with the U.S., facilitated the change in the attitude toward surface ships and the navy as a whole. The trend toward transformation of the entire planet into an arena of this competition objectively operated toward restoration of the navy into its own as the one branch of the Armed Forces that can create and maintain battle groups at constant combat readiness in any area of the world. The policy of providing military assistance to third world countries to liberate them from colonialism and neo-colonialism, as it turned out, inexorably drew us toward that fatal boundary beyond which direct armed participation in local conflicts began. The establishment of strategic parity obviously gave us great confidence in the confrontation with the U.S. in the Third World. In 1974, Minister of Defense A.A. Grechko stated: "At the current stage, the historical mission of the Soviet Armed Forces is not limited only to their function of defense of our Homeland and other countries of socialism. In its foreign policy activities, the Soviet State aggressively and purposefully opposes the export of counter-revolution and the policy of oppression, supports the national liberation struggle, and decisively opposes imperialist aggression in whatever remote region of our planet it manifests itself."¹⁰

We think that it is no accident that S.G. Gorshkov's articles began appearing precisely in the beginning of the 1970s and that later a separate book "Morskaya moshch gosudarstva" [Sea Power of the State] appeared in amended and supplemented form. Its author expressed his own point of view which is not shared by everyone. Nevertheless, we can assert that the contours of a response to the social order of the time appear both in the articles and in the book when an infatuation with the confrontation with the U.S. formed a superpower mentality. An analysis of the participation of imperialist states' navies in local wars is conducted in a separate chapter of S.G. Gorshkov's book. It follows from the general context that the navy's capabilities to conduct wars of this type were essentially advertised in the chapter. While characterizing the interventionist activities of Western navies in the Third World region, S.G. Gorshkov pointed out in the conclusion that the USSR

Navy serves as an instrument of the "policy of suppressing imperialism's aggressive aspirations and a decisive counter to military adventures and security threats from Imperialist powers."¹¹

The persistent refrain of S.G. Gorshkov's work openly reveals one more motive that latently impacts this approach to the navy. This motive also was not alien to N.S. Khrushchev's policy. This concerns increasing the prestige of the State by supporting an ocean-going navy, by deploying military ships in remote maritime areas, and by arranging their access to foreign ports. The former Navy Commander-in-Chief's wording is quite indicative: "to have a navy worthy of the Soviet State and its great ideas" and "the need to have a powerful navy that corresponds to... the political importance (of our country—G.S.) as a great world power."

Accentuating the postulate that they will allegedly spend more time considering us if we have a major navy at our disposal struck a sensitive chord of our political psychology that began to form during the period of nonrecognition of Soviet Russia and the disdainful attitude toward its economic and scientific and technical potential. Pursuit of prestige and the aspiration to attain appropriate recognition of our equality from our rival created a favorable climate for development of the Navy and especially major surface vessels. First of all it is they, and not unseen submarines, can make the proper impression on foreign observers and act as eloquent proof of the grandeur of [our] economic successes and the accumulation of respect instilled for military force.

Regular deployment of ship groupings into remote areas beginning from the middle of the 1960s undoubtedly entailed a political-psychological impact. Use of the Navy in peacetime, according to S.G. Gorshkov's characterization, could become a "weighty argument" in disputes with rivals.

The USSR Navy's access to the expanses of the world ocean was, however, mainly caused by the increase of the threat from oceanic and sea axes. If in the 1950s it consisted of aircraft carriers whose carrier-based aviation could destroy targets using nuclear weapons, in the 1960s the scale of the nuclear threat increased with the accelerated construction of ballistic missile nuclear submarines (SSBN) in the U.S. In 1961, the Kennedy Administration increased the rate of implementation of the Polaris Program and already several years later the U.S. had 656 ballistic missiles on 41 nuclear submarines.

The value of surface ships as antisubmarine weapons platforms began to be recognized in disputes surrounding them. They could accomplish a dual mission: combating the enemy's missile submarines and simultaneously ensuring deployment of the USSR Navy's similar submarines. The "rehabilitation" of surface ships was confirmed by S.G. Gorshkov's statement that was published in a 1963 article in which he explained that the Navy, aside from primary long-range strike forces, must have at its disposal, for example, the surface ships

needed both "for active combat with any enemy within the limits of the defensive zone of a maritime theater and for comprehensive support of combat and operational activities of the Navy's primary strike forces."¹² The idea of balanced development of the USSR Navy that was defended by the Navy's leadership gradually began to be confirmed in its own right.

Reflection of the discussion surrounding the concept of the Navy's role in the 1960s can be found in the three editions (1962, 1963, and 1968) of the fundamental work "Voyennaya strategiya" [Military Strategy] that was published and edited by Marshal V.D. Sokolovskiy (it is symptomatic that there is not one representative of the Navy among the collection of authors). The differences between the first and third editions are quite noticeable. Thus, the last edition discusses the partnership of missile submarines with the Strategic Missile Forces in conducting global nuclear war. If in the first edition combat with the enemy's navy was called the primary mission of the navy in modern war, in the third edition inflicting strikes on coastal targets had been moved into first place (It is true that in another chapter the order remained as previously). In the 1968 edition, we can encounter a more precise indication of the capability of major amphibious assault forces that not only ground but also naval forces must be prepared to thwart.

As a whole, the circle of missions of the USSR Navy in the work "Voyennaya strategiya" appeared as follows: "Inflicting nuclear missile strikes against coastal targets, defeat of attack aircraft carrier task groups, combat with submarines and first of all nuclear missile submarines, interdiction of enemy maritime transport, support to ground forces, and conduct of anti-amphibious assault operations and mine warfare."¹³

Although the authors had already noted in the first edition that military operations in maritime theaters are an independent type of strategic action that will acquire large scale in a possible war, nevertheless, a certain doubt is sensed in the work: but why is there all of this naval activity if the primary "work" will be accomplished by other branches of the armed forces in a future war? As Admiral V.A. Alafuzov, one of the book's first critics from the "naval side" justifiably pointed out, naval issues "are poorly reconciled with the general theory that concerns strategic war with a ground force enemy."¹⁴

S.G. Gorshkov's concept was an attempt to overcome the gap between views on the role of the Navy and views on a future war. Moreover, he went quite a bit farther in the proposed concept while proving the advisability of creating precisely the major Navy not only from military strategic positions but also taking foreign policy requirements into account. The following are the main theses of the concept that was viewed in a rather aesopian manner by the author of "Morskaya moshch gosudarstva":

- the Soviet Union needs a Navy, as stated above, if only for the reason that the USSR is a great power;
- the significance of the Navy for our country is not limited to the fact that it is assigned combat functions,

but is determined by its inherent capabilities for exerting political and psychological influence in peacetime;

- the construction of a large navy is conditioned by the fact that the USSR is confronted by a coalition of sea powers, and also by the increased threat from the oceans;
- the USSR must pose an equal threat to an enemy in order to restrain his aggressive ambitions;
- for a power which is dependent upon maritime lines of communications and which has a sizable navy, the loss of advantages in the world's oceans can be tantamount to defeat;
- victory over a powerful enemy can only be gained through the common efforts of all the branches of the Armed Forces;
- owing to the presence of nuclear missile forces in the Navy, the latter will have an increasing influence on the course and overall outcome of a war;
- the Navy's actions against the shore have acquired a first-level importance, but, at the same time, they are indissolubly linked with the traditional mission of combating another navy;
- balanced development of all arms of the Navy will guarantee that its combat effectiveness is maintained at a high level.

This concept was formed within the framework of that military doctrine to which the Soviet Union adhered before it embarked upon the perestroyka of its entire defense system in the second half of the eighties. From the strategic point of view, in the "pre-reform" period, the Navy had to contribute to the following missions which faced the Armed Forces: repulsing an aerospace attack, suppressing the enemy's military economic potential, and destroying its armed forces groupings.¹⁵

* * *

As a result of efforts made since the mid-fifties, the Soviet Union has created a truly powerful navy whose principle offensive weapons are its submarines and its naval aviation. The Navy's strength level was stated for the first time in the first edition of the pamphlet "From Whence the Threat to Peace" (1982). From the figures given in this brochure, it becomes clear that coastal ships and vessels predominate in the USSR Navy. This should be remembered when assessing the Navy as an ocean-going fleet.

The latter data on the complement of ships in the Navy was presented by competent Soviet organs in December 1989. It follows from it that the USSR has 157 large surface ships (aircraft-carrying [avianesushchiy], cruisers, destroyers, large antisubmarine warfare ships, amphibious warfare ships with a displacement of 1,200 tons and above) and 260 submarines (in addition to strategic ballistic missile submarines), including 113 nuclear-powered submarines.

15 August 1990

It is difficult to compare the figures for 1982 and 1989 as different principles were employed in giving a breakdown of the composition of the Navy by categories. However, it would probably not be far from the truth to conclude that there has been a slight decrease in the numerical strength of the Navy in the eighties. What are the reasons for this reduction? Have the tactical-technical specifications of naval weapons been improved, thus enabling the same missions to be fulfilled but with fewer forces? Have the missions themselves changed? It is logical to suppose that weapons must have become more effective. Obviously, views on the use of the Navy have also started to change.

However, possible amendments to naval policy could have been even more substantial. I will venture to give my point of view on this question.

Obviously, it was possible to argue about the priority of certain missions of the Armed Forces, and about the availability or lack of forces for their fulfillment. However, the character of our "old" military doctrine dictated the setting of precisely such a complex of missions. Today, as we adapt ourselves to the new political thinking, there has been a radical transformation in our views on the possible forms and consequences of a future war and on what kind of defense is needed. Let us recall the tenets that have enriched our conceptions in the military sphere:

- nuclear war—would be a global catastrophe which would bring about the destruction of civilization and it can have no winner;
- the consequences of a conventional war on the European continent, linked to which is the threat of the destruction of nuclear electric power stations [AES] and chemical enterprises, would bring us nearer to a global war involving the use of weapons of mass destruction;
- a conventional war in a Europe saturated with nuclear weapons and nuclear reactors will inevitably be transformed into a nuclear war;
- a limited nuclear war is impossible;
- superiority over the enemy is unattainable, and attempts to achieve it destabilize the strategic situation.

How do these tenets correlate with the Navy's traditional missions, missions which were ostensibly still assigned to it in the eighties?

An aerospace attack can be launched from the sea or ocean by means of ballistic and cruise missiles and also by carrier aviation. The very formulation of the mission of "repelling" it contradicts the idea of rejecting the attainment of superiority, for if one side had the potential to repulse such an attack, or at least the potential to limit the damage, it would be endowed with weighty strategic advantages.

Now let us consider the technical side of the question. In the light of the accident at the Chernobyl AES it is more than obvious that a salvo from one missile-carrying

submarine (approximately 200 warheads with a power of 100 or more kilotons) is enough to cause irreparable damage to the other side. Meanwhile, groupings of USSR and U.S. SSBN's are not a very vulnerable part of the strategic forces. According to Soviet and Western specialists, neither the Soviet Union nor the United States is at present capable of destroying all its enemy's strategic submarines with one surprise attack, and it is hardly likely that they will ever be able to do so.

In theory, SSBN's could be neutralized in the course of a protracted war. New military strategic postulates exclude the necessity of examining this possibility within the framework of a nuclear war scenario. Let us take a different case in which military operations involving the use of conventional weapons become protracted, although it seems fantastic to suppose that any side will submissively accept the methodical destruction of all its SSBN's, one after another, in the course of a few days, weeks, or, if you like, months. Furthermore, tracking SSBN's is fraught with such a risk of escalation that, if it is to be carried out, it should only be in a war with high stakes, such as one between coalitions in Europe. Therefore, this variant is also not worth considering if one adheres to the above-mentioned views on war on this continent: either its consequences will be catastrophic even without the use of SSBN's or the whole scale of military operations will prompt the use of missile-carrying submarines while they still remain in commission.

If there is no reliable protection against submarine launched ballistic missiles, the costly preparations for repulsing attacks by means of cruise missiles and carrier aviation lose their rationale. They would be wholly reasonable if the attacks were mounted with these weapons alone, that is to say if a limited nuclear war were possible.

The suppression of the enemy's military-economic potential by means of naval assets and weapons in the form of a first strike has no sense, as nuclear retaliation is inevitable. If we understand this mission to mean preserving the capability to destroy in retaliation the enemy's armed forces and economic targets, this is a legitimate and effective means of deterrence.

Intercontinental ballistic missile submarines are best suited to implementing the mission of deterrence. They can inflict a retaliatory strike from any area of the world's oceans selected for their safe combat patrol. The short-range capabilities of cruise missiles complicate the implementation of a retaliatory mission as their platforms, in order to occupy effective launch positions, would have to be installed closer to the enemy's borders and thus enter a zone well-defended by him. Sea-launched cruise missiles would not only be wholly unable to strengthen the situation of deterrence being created by, among other things, the USSR's deployment of ballistic missile submarines but, on the contrary, could even undermine it. Groupings of Soviet warships equipped with cruise missiles patrolling off U.S. shores

would sooner give rise to fears that the USSR was preparing to launch a first strike. Furthermore, the maintenance of a forward presence of warships carrying cruise missiles would necessitate enormous expense.

Let us now examine another hypothetical scenario—a war in Europe, in the course of which the Navy is simultaneously involved in implementing the missions of the military economic suppression of the enemy and the destruction of groupings of its armed forces. Having begun, let us say, with the use of tactical nuclear weapons, it inevitably develops into a global war with the exchange of intercontinental strikes. Therefore, this variant in the development of events is oriented first and foremost toward the deployment of SSBN's and ensuring their combat stability. I would like to note here two circumstances. First, in the analysis of the nuclear factor which can be found in S.G. Gorshkov's work, we note the presence of a strange contradiction: On the one hand, protest is expressed against excessively increasing the capabilities of nuclear weapons in military actions at sea and against corresponding unfavorable forecasts about the Navy's future. On the other hand, it is precisely nuclear weapons which are seen as the "great equalizer" between a large navy, one which includes aircraft carriers, and a relatively weaker navy. Second, believing in the possibility of a limited nuclear war, the American command considers such a war to be extremely disadvantageous for its general purpose naval forces. Fearing that they will be too vulnerable, the U.S. naval command proceeds in its planning mainly from the need to prepare for a conventional war. The attitude of the United States to the problem of general purpose naval forces is conveyed by the fact that it is now reducing its arsenal of naval tactical nuclear weapons and has halted their modernization programs.

In view of our well-founded suppositions regarding its possible consequences, a large-scale conventional war does not represent an individual incident. If it is nothing more than an episode of nuclear war and only foretells it, it is clear that all the complex and costly preparation for crushing the enemy's naval groupings completely loses its purposefulness. This is not to mention how realistic the formulation of such a mission really is, given the existing balance of forces at sea.

Therefore, the principle mission of the Navy should be to deter a nuclear war by maintaining the capability, even after the first strike, to cause irreparable damage to the enemy in cooperation with the Strategic Missile Forces and bomber aviation. At the same time, it will also indirectly deter the outbreak of a conventional war as a possible prelude to a nuclear war. In the military balance, the state of which can prompt the enemy to initiate aggression with the aid of conventional weapons, the correlation of general purpose naval forces assumes secondary importance. The other branches of the Armed Forces will bear the main burden for staving off an attack on our country in the context of a conventional war. The protection of sea borders and the defense of the state's interests in the economic zone would remain another

important function of the Navy. The complete change in views on foreign policy, a reduction in the part played in it by the military complex, a strengthening of the principle of freedom of choice, and emphasis upon the diplomatic regulation of regional conflicts are, in their turn, also altering the concept of the Navy as an instrument of foreign policy.

As a result, reserves, perhaps considerable reserves, are emerging for making cuts in the Navy. The planned reduction in the military budget and in expenditure on the purchase of military equipment indicates that cuts will be made. This means that the USSR will not be able completely to replace the ships and vessels withdrawn from service upon expiration of their normal service life—according to certain Western estimates, these will number 400 by the year 2000. Special scientific elaborations are needed to determine the optimum size of the Navy. Therefore, I will only touch upon one circumstance.

In my view, the naval command has not managed to avoid the temptation to start building expensive multiton warships. During the last 20 years, the Navy has received antisubmarine-warfare cruisers of the "Moskva" type, aircraft-carrying ships of the "Kiev" and "Tbilisi" types, and guided missile cruisers of the "Frunze" type. The construction of aircraft-carrying ships is particularly surprising following the tirades which were launched against them in S.G. Gorshkov's publications in the sixties. Views can change, particularly as technology is continually developing. The excessive cost of aircraft-carrying ships is something which never changes. We clearly cannot afford this type of warship given the ruinous state of the economy. I believe that military political reform cannot offer an argument in favor of their construction which is even remotely convincing.

I can foresee the following objections: what about the adoption by the United States of a "new naval strategy" aimed at a first strike against sea and land targets? What about Washington's desire to maintain its superiority at sea, and its unwillingness to enter into negotiations on limiting naval weapons? This strategy understandably gives cause for concern but, without going into detail, I would recommend that a more realistic assessment be given of its destabilizing parameters. The strategy is dangerous not because it increases the United States' chances of victory in a war between coalitions, but because it sustains illusions with regard to the possibility of achieving such a victory. There is no unity in American military political circles with regard to the question of the extent to which the "new naval strategy" conforms to U.S. security interests. Furthermore, its origins owe much to criticism which argues that a large navy is unnecessary. The formation of a "new naval strategy" was a kind of counteroffensive by the U.S. naval command in the bureaucratic grab for a piece of the "budgetary pie." Putting psychological pressure on the USSR also entered into the calculations of the command when presenting this strategy.

I would now like to say a few words about the unwillingness of the United States to compromise in defending its position with regard to negotiations on naval weapons. The negotiations on conventional forces in Europe, which should lead to the creation of ground-based structures that remove the threat of sudden attack and of the conduct of large-scale offensive operations, are a serious new factor in the present-day military and political situation. If the negotiations end in agreement, the need for the United States and NATO to maintain an offensive potential in European waters is objectively reduced. Of course, the West did not enter into negotiations in order to simplify for itself the mission of launching a sea attack against the Warsaw Pact. At a certain stage, reductions in NATO's ground and air forces will lead to a review of the bloc's strategy. In the final analysis, the process of transforming U.S. and NATO strategy, which reflects an end to the cold war and the expansion of constructive cooperation between the East and the West, will spread to the naval sphere.

Returning to the above-mentioned deliberations with regard to the correlation of new doctrinal postulates and views on the use and preparation of the Navy, I will emphasize that it is, of course, possible to disagree with them. Just like any reflections on the "unthinkable"—scenarios of nuclear and conventional war in a nuclear and space age—they are vulnerable to accusations of speculation. They should be viewed only as a working hypothesis, as an invitation to discuss what functions may be assigned to the Navy in present-day conditions. Furthermore, I would only welcome constructive criticism, let us say, from representatives of the Navy who, as yet, have not expounded their views on the missions of the Navy, taking account of the principle of reasonable sufficiency which is being proclaimed by the USSR and the other tenets of its new military doctrine.

Today, the naval command should be ready to convince those civilian experts and Supreme Soviet deputies who approve the budget, including expenditure on the Navy, that its views on the needs of the Navy are correct. The deputies who accept, reject, or amend the naval command's requirements will have to bear real responsibility before the electorate, something which was not the case in the past. Thus, discussions on military questions will inevitable extend beyond the walls of military headquarters, which is what is happening in all civilized democratic states.

The proposed analysis of the Navy's missions is an attempt to interpret the new defensive military doctrine as applied to the naval sphere. The approach that has been adopted by the Soviet Union to defense organizational-development opens up the prospect of solving the dilemma which our country has encountered in creating a modern navy, a dilemma which it has not been able to completely resolve. A short excursion into the postwar history of the Navy shows that life has constantly forced us to seek an answer to the following question: how are we to combine the policy of building an ocean-going fleet with limited resources, preparations which are primarily

geared toward a continental war, and the inability to repulse a nuclear attack? It is not by accident that the precarious well-being of the Navy has often given way to a struggle for its existence.

It should be stated that our Navy is not alone in this respect. Even in such naval powers as the United States and Great Britain, the atmosphere surrounding naval organizational-development has not always been unclouded. When the United States was moving toward a limitation in military expenditure as, for example, is happening now, naval programs were one of the first victims, their cost being considered too great. Under the Carter administration, wholly serious study was given to the prospects of limiting the missions of the Navy and of making significant subsequent reductions in the fleet.

The transformations in our military doctrine and strategy are directing the Navy toward fulfilling missions which are well within its competence even if its composition were smaller than that at present. The present military reform is perhaps not so topical for any other branch of the Armed Forces as it is for the Navy, since its problems are assuming crisis proportions.

Strictly speaking, people have already started to speak openly about a crisis, although on a slightly different plane. In April 1988, the nuclear submarine "Komsomolets" sank. A few months later, in June, there was again a serious accident on another submarine. These are not isolated occurrences in the Navy. In October 1986, a submarine carrying ballistic missiles was lost in the Atlantic. The Soviet press has reported other incidents which have occurred on naval ships in recent years.

As is becoming known today, combat ships are being constantly delivered to the fleet unfinished and with obvious defects. For example, on the cruiser "Baku," the system for transmitting data to aircraft does not function and ultra-shortwave stations which have no antijamming protection are being used instead. Fire control radars do not link up [stykovat] with the weapon system and often break down. The "Komsomolets," which was tragically lost, was accepted from industry after serious reprimands had been made, but was included as part of the fleet's effective combat strength. Several hundred workers and engineers corrected the equipment on a guided missile cruiser which has recently entered service, something which has already long become standard practice. Many millions of rubles are being spent on eliminating production defects, which do not prevent ships from being accepted by the fleet.¹⁶

However unpleasant it may be for departmental self-esteem, accidents and other troubles also testify to the fact that the Navy urgently needs to reorganize its activities. Military reform is the key to resolving many painful questions. It is disposing us to finally stop "hastily producing gross output" ["gnat val"] and to start worrying more about "waging war not with numbers but with know-how."

Footnotes

1. See SEA POWER, June 1988, p 22.
2. MORSKOY SBORNIK, No. 2, 1989, p 78.
3. See Krasnaya Zvezda, July 26, 1954.
4. See S.G. Gorshkov, "Morskaya moshch gosudarstva," [Sea Power of the State], Moscow, 1979, p 261.
5. See PRAVDA, January 15, 1960.
6. See R.W. Herrik, Soviet Naval Strategy, Fifty Years of Theory and Practice, Annapolis, 1971, p 67.
7. "Soviet Naval Influence, Domestic and Foreign Dimension," New York, 1977, p 662.
8. S.G. Gorshkov, op. cit., p 270.
9. "Voprosy istorii KPSS" [Issues of the History of the CPSU], Moscow, 1974, Vol 5, p 39.
10. See "50 let Vooruzhennym Silam SSSR" [50 Years of the Armed Forces of the USSR], Moscow, 1968, p 522; A.A. Strokov. "V.I. Lenin o voynе i voyennom iskusstve" [V.I. Lenin on the War and Military Art], Moscow, 1971, p 175.
11. S.G. Gorshkov, op. cit., p 371.
12. MORSKOY SBORNIK, No 7, 1963, p 16.
13. See "Voyennaya strategiya" [Military Strategy], Moscow, 1968, pp 362-368.
14. MORSKOY SBORNIK, No 1, 1963, p 94.
15. N.P. Vyunenko, B.N. Makeyev, V.D. Skucharev. "The Navy: Its Role, Development Prospects, and Use." Moscow, 1988, pp 34-42 [The preface to this book was written by S.G. Gorshkov].
16. KRASNAYA ZVEZDA, 12 May 1989.

U. S. Socioeconomic Progress Credited to Democratic Principles

904M0012D Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 5, May 90 (signed to press 16 Apr 90) pp 61-75

[Article by Lev Lvovich Lyubimov, doctor of economic sciences; department head, USSR Academy of Sciences IMEMO; and Yelena Vladimirovna Yarovaya, candidate of economic sciences; senior scientific associate, USSR Academy of Sciences IMEMO: "The Socioeconomic Content of the Historical Process (Based on the USA's Example) (Article One)"]

[Excerpts] The analytical methods developed by K. Marx and F. Engels and by the leading economists of Western schools were based on a broad view of economic processes. The Marxist classics, defining social reproduction broadly as the "production of life itself," included both the production of the means of life and the production of

man himself in the definition.¹ Soviet political economy defined its subject differently. It artificially limited it to the framework of material production and abstracted from actual man whom it elevated to a kind of universal principle. Rejection of the broad socioeconomic vision of reproductive processes became the cause of contradiction in economic research and the low viability of economic practice. For the same reason, the science of political economy proved to be unprepared to understand the new problems connected with the intensification of the human factor as well as to explain the socialization of social development which has long been under way in the USA and other capitalist countries.

Modern capitalism has generated many social phenomena that did not exist during Marx's lifetime and that have now become an important landmark of historical and social development. Society in the developed countries presently sets broad social goals for itself: to secure [people's] well-being, to improve the quality of life, to preserve nature, to guarantee full employment, security, peace, etc. In all countries there is a mighty social sector that works, *inter alia* on a nonprofit basis. Broad social programs are implemented and new social forms of government are actively sought. The substantial intensification of the social orientation is also seen in the private sector.

The rethinking of avenues of social development everywhere became a special feature of the '80s. People with different philosophies are more and more often inquiring about the values and happiness of life, about the sense that peace, security, freedom, work, and social justice have for them. Sociological literature has noted the transition from the conception of economic growth to the broader conception of social development. It emphasizes that it must necessarily deal with man as the subject and agent of action as well as with his social goals. The accent is increasingly shifted from relations between people and wealth to relations between people in the broadest humanistic sense. "Quality of life," "ecodevelopment," the "ethics of developments," "human development," and "societal development," that include not only economic but social, political, and psychological aspects are the concepts that reflect these new approaches.

This unprecedented social transformation is the main content of our modern era of fundamental change, when the human factor and the values determining man's development become the universal condition to social progress. These processes are common to all developed countries. However, the conditions of reproduction of life and the mode of transition from one stage to another in general vary from people to people. They change not only from country to country but also from one generation to another.

Formulation of the Problem

The central problem in political economy in the present era of the history of socialism is why man has been

practically outside the field of vision of this science and why the so-called leftover principle [*ostatochnyy prinsip*] has proven to be the main principle in satisfying man's needs in the economic practice of the socialist state. Paradoxical as it may seem, the answer closest to the truth will be that our political economy, as it was presented to us and developed by us for decades, practically did not raise this question. Its logic has been based primarily on ideological criteria—on the total rejection of capitalism and on the final idea of revolution. The possibility of man's all-round development was directly connected with the expropriation of the exploiters and with the elimination of capitalist property. Now, however, in the light of the experience of the 20th century, it is quite difficult to prove that the property question (as we have understood it up to now) is indeed directly connected with the human problem. There are countries in which the great majority of the means of production are in the hands of private persons, but the human question is addressed much more successfully in these countries than in countries where the means of production belong almost entirely to the state. What is more, as experience as shown, the alienation of the means of production in favor of the state can lead to a more profound socioeconomic crisis.

At the same time, careful reading of K. Marx does not provide grounds for considering that he in general took man "outside the framework" of his works. He always called abstracting from man "incorrect" and "speculative."² In his works, K. Marx in one way or another addressed both people themselves as well as their essences" [*sushchnosti*] (commodity owners, producers and consumers, workers and capitalists). It was important to establish essence in order to explain the social status of the individual and the orientation of mass needs and actions. However, as Marx emphasized, these needs and actions themselves are always the manifestation of the concrete life of concrete people.

Man as such is presented less in "Capital" than in other of K. Marx's works. The logic of this work, which was written at a certain time and on the basis of the brief economic experience of a certain small region, did not require the inclusion of concrete man. And in this regard it should be said that "Capital," which became something like a bible for our political economy, is a by no means all-embracing work of political economy (in the range of questions and ideas). It would also seem that "Capital" cannot be regarded as a conception that is universally applicable to all countries and all the moreso to all ages in all the questions examined in it. As regards Marxism-Leninism in our country in the period following the '20s, leaving man outside the "framework" was the consequence both of dogmatization and to a still greater degree the deliberate policy of the administrative-command system. The "framework" of the dogmatized approach incorporated only that which was connected with our ideological and practical messianism, i.e., the practice of constantly accusing and exposing the West, of comparing its "sores" and doomed nature

against our successes and bright prospects. Therefore, the rare inclusion of man in the analysis of capitalism was made only with the condition that man was reduced to the category of "labor power."

In reality, in various works by K. Marx and in works by Soviet Marxists in the first half of the '20s, the "human factor" is presented in quite promising terms. But unlike such categories as capital or surplus value, for example, it was not elaborated in theoretical terms. They contain the set of "key words" of the given question from the understanding of man as the initial prerequisite of social development to the analysis of tendencies for him to be transformed into the end in itself and the main wealth of future society that is needed for initial analysis. Unfortunately this fund of ideas was forgotten and did not become the subject of either the theory or the practice of real socialism.

The primacy of production, a principle that was probably valid for ascertaining the sequence of reproduction phases, was interpreted in the spirit of the recognition of the absolute primacy of production in general. As a result, the entire multitude of real interrelationships that unite and disunite people, the inevitable differences in their interests, confrontation, and adaptation to changing conditions—in a word, everything that generates self-development and the evolution of social systems was thrown overboard.

Today it is important for us to understand that in the social process of reproduction, man is the basic prerequisite and therefore that the approach "based on man" must be considered the only methodologically correct approach. The productivity of this method also stems from the fact that it makes it possible to examine all processes in society from the same point of view. As man develops, he "produces" his needs and abilities, goods and services, relations and social institutions, i.e., he produces himself and society. The development of civilization is the development of man, the fragmentation of his needs, the transition from simple to complex needs, from material to spiritual, from economic to political, from *homo economicus* to the all-round development of individuality. The increasing division of labor in this regard is "social reproduction of special individuality" that makes it possible for the individual to engage in all-round social consumption. K. Marx viewed this as the confirmation of the freedom of the individual.

Capitalism liberated man politically and involved him in an expanding social interrelationship, thereby giving a powerful impetus to social development. This does not mean that this development excluded social inequality. But simultaneously with inequality, all citizens became consumers of an ever larger volume of social goods, which was impossible under conditions of social egalitarianism. Therefore, its usefulness to society, like unjust vast social contrasts, are also dubious. Only the "starting potential" and the right to participate in the socioeconomic process should be equal.

Direct sociality based on the development of concrete individuality is the ideal criterion of social progress that should theoretically be addressed to socialism. But development, even under capitalism, nevertheless goes in this direction, at the same time pointing to more and more radical changes in the content of social relations. The indicators of this process are: the increasing individualization of the individual, his needs, interests, demands, the striving for diversity, the creation of living conditions directed toward securing such diversity, society's increasingly solicitous attitude toward man, the recognition of the uniqueness of man's abilities, the proliferation of various human communities and interest groups (which are dominant today compared with class communities), the increased significance of the family, intra- and interfamilial relations, the expansion of the range of social institutions that serve man, and the "internationalization" of the individual (the emergence of an ever increasing number of "citizens of the world").

Man has always been involved in the social interrelationship and in this sense is the product of society. At the same time, he is a product that possesses enormous potential for self-development. This potential is manifested in the form of needs and abilities, interests, expectations and incentives, i.e., in the entire system of driving forces that inspire the creation of new conditions. The possibilities of man's potential are unlimited. But the realization of this potential depends above all on society's treatment of man, the rights he is given, and the degree to which his activity is effectively motivated. The more democratic these relations are, the more highly developed personal freedoms are, the more all society will benefit from his historical development. The United States is an obvious confirmation of this point. The Bill of Rights was the main prerequisite to the subsequent relatively more rapid economic and social development of the USA (compared with the Old World).

Today, at a time when the "humanization" of production and society has become a directly practical task for us, Soviet economic science must recognize man as the central figure and introduce him into the structure of research in the full diversity of his qualities. Understandably, this will require new conceptions, new approaches, and a new scientific system. Existing concepts suitable for analyzing material production do not embrace the socioeconomic process as a whole. In a word, a large-scale revolution in economic science is pending. In this connection, there arise several important problems, the lack of resolution of which is substantially impeding the development of political economy.

The in-depth reinterpretation of the category of need is the problem of problems. K. Marx, and after him Max Weber, Hajek, Hobson, and others viewed needs as the expression of human nature and assigned them to key categories of political economy. But Soviet political economy traditionally developed without man and abstracted from his needs, and this could not but lead to a distorted understanding of many regularities. The

other task is to analyze the system of socioeconomic relations, including the influence of the legal basis and of political and institutional mechanisms on social development. The interaction of these forces, as shown by the historical experience of the USA, is not only effective but is also decisive in the establishment of relations that ensure the dynamism of the socioeconomic process and socialization. The third task is to reveal the mechanism of self-development of social reproduction in a broad socioeconomic context.

The realization of these tasks, since it involves analyzing the qualities of man and society, will help us to gain a deeper understanding of the socialization process and to explain many new phenomena of modern times such as the internationalization of the economy, the political interaction of various countries to preserve common human values, etc.

Features of U.S. Socioeconomic Development

In the late 18th and early 19th century, products of material production (food, clothing, housing, and other primary necessities) comprised the bulk of the U. S. population's needs. At the same time, even in earliest stages, the USA satisfied the need for civil and personal liberties, including the right to land and to engage freely in commerce, significantly more completely than Europe. The foundation for securing these needs was laid with the adoption of the Bill of Rights (subsequently supplemented by many other rights), with the passage of the uniform right of suffrage (with the total absence of a property requirement for voters), with the creation of a state with the separation of powers, including the government, the parliament, and the constitutional court. Thus, already at the time the state was established, society rejected the political alienation that has flourished for long decades and even centuries in Western Europe.

The right to land and to engage in commerce, the substantially lesser stratification of society in terms of property (compared with Western Europe), and the high demand for manpower placed manpower costs at a record high in the USA and considerably reduced the potential for economic alienation. The share of earned income in the GNP was extremely high from the very beginning (and was not reached in Western Europe and Japan until after World War II). Naturally, the share of personal consumption in the GNP was also high. The high cost of manpower led to at least two essential consequences for economic development. First, to the need for scientific-technical progress and the continuous large-scale, profitable substitution of cheap machines for the most expensive component of cost: live labor. Second, to the formation of mass demand that created possibilities for mass production every time that technical conditions permitted. Economies of scale, conveyor lines, Taylorism—the whole era in the history of the technico-economic effectiveness of industry and other branches of the material sphere—are the "products of the American economy."

The effectiveness of production made it possible to create a stable proportion of accumulation funds and consumption funds in the GNP that was exceptionally favorable to the consumer (approximately 1 : 4). This proportion is unquestionably among the most important indicators that characterized the level and potential of social development, that personify the effective dichotomy of "rising needs—labor-saving." Since that time, there was a clear-cut recognition in the USA of the need for leisure time and the work week was legislatively limited to 40 hours. The indicated proportion of accumulation and consumption funds as well as of working and leisure time became a key social indicator and for many decades was a reference point of the high level of socioeconomic development for the entire civilized world.

The '20s in the U.S. consumption sector was heralded by the attainment of yet another large indicator of social development—the structure of personal consumption in which 40 percent consisted of expenditures on services and one-eighth was earmarked for durable goods (cars, household appliances, etc.) It would take Western Europe and Japan another 55 years to attain the basic parameters of the American standard. Most significant was the transition to the type of consumption that is dominated by services. The age-old trend toward the preferential growth of the service sphere was finally affirmed in this period in the U.S. economy.

At the same time, the consequences of deep oversaturation of many consumer markets became clearly perceived in the USA. This situation was exacerbated by the lack of differentiation of production, by the extremely low rate of product modernization, by the inflexibility of relations between demand and supply. All this led to the growing imbalance between production and consumption and the elimination of ineffective producers from all spheres by the depression.

The Great Depression descended in 1929 showing that the satisfaction of the population's needs exclusively within the framework of the market structure and on the basis for demand for already formed "undifferentiated" (relatively unindividuated) needs had reached the highest stage of saturation. The depression of 1929-1933 also revealed an even more serious flaw in the market system—its inability to secure mandatory social guarantees for the individual independent of market forces. This question had already been the subject of more and more intense struggle in American society (before the depression of 1929-1933). But the system of value orientations that had formed in the USA since the end of the 18th century (individualism, the private enterprise cult, minimization of the role of the state) helped the nation's ruling circles to postpone addressing this problem. The depression made it possible to approach it from radically different positions. The Democratic Party administration, headed by Roosevelt, began the creation of a large-scale state social system. Already by the end of

the '30s, the share of state social expenditures in the GNP had risen to 10.5 percent (from 2.5 percent in 1913).⁶

World War II interrupted this process, switching the state's resources to war needs. But this was a period of practically total employment, which created postwar years when conversion began. Since then, the employment problem has been a constant function of the state, side-by-side with other questions of social guarantees, irrespective of which party is in power. Moreover, by the time of Nixon's Administration, the state's social expenditures were regarded as "untouchable," i.e., as not subject to reduction. Nor was this trend violated by the Reagan Administration, which substantially increased the share of military spending in the state budget.

The doctrine of "human values" began forming in the USA in the '30s, gradually replacing Taylorism with its conception of an "economic man" who was subject to the laws of technological development and functioning. The conception of "social man" came into being, reflecting a new stage in the development of social relations and social needs and preferences. These new approaches became stronger and stronger in the '40s and '50s. The '60s saw the emergence of the conception of the dynamics of human needs, the transition of needs from one type to another, up to and including the individual's highest needs such as the need for self-realization, for mental and physical improvement, for creative activity.

At the same time, production capital that had begun supplying differentiated consumer goods calculated for the broad individualization of needs, once again had its say. Finance capital promoting the rapid development of mortgage and consumer credit enhanced the depth of this process. This was the next step in the direction of assessing individual consumer inclinations.

The effectiveness of qualitative transformations in the American economy was attained on the basis of the theory and practice of marketing of new methods for managing the investment structure process. The elimination of Taylorism from production relations and the transition to the doctrine of "human relations" was accompanied by the gradual elimination of the technical conceptions and methods of managing and developing new "social technologies." Of particularly great importance was American business' recognition of the organizing role of knowledge of society's needs. The R&D sphere was considered the generator of exceptionally effective innovations all the way up to the mid-'60s. Production traditionally accepted all of that sphere's results without regard to their social utility. As a result, many new use values did not find a demand because they could not effectively satisfy a certain, truly important need of the consumer. There were no methods for assessing social needs. The content of R&D was determined on the basis of the spontaneous flow of proposals from designers. This approach meant that production was working practically in the blind. It had lost the old objective criterion that had been the basis for demand,

but had not acquired new criteria and continued to orient itself toward the designers' ideas instead of identifying society's new and urgent needs.

Evaluations of the effectiveness of capital investment in the '50s and '60s produced very disconsolate results. It was revealed that between 30 and 70 percent of the investments did not possess the parameters required for market-oriented supply. The market rejected more than half of the new products already in production. Vast sums were being spent in vain.

These findings marked the beginning of a broad search for new criteria and mechanisms of investment structure activity. Large firms began applying methods based on long-range needs and the orientation toward technical and product modifications accessible and advantageous to the consumer. They began studying spheres of application of their products, forecasting new markets, analyzing consumer preferences, and organizing the experimental sale of new products (test marketing). They found that one, the end result is effective if particularly urgent needs are satisfied and if all mass consumers can afford to pay the prices and, second, that the end result is not identical exclusively with the high technical level of a new products.

A radically new feature in this approach was the fact that the emphasis was shifted from cost to the result of investment structure activity. It integrated the orientation toward social need with the tightest control over economic indicators of production: costs, prices, and profits. Thereby social and economic criteria received equal status in the economic mechanism, objectively orienting it toward the growth of effectiveness.

Research in the last two decades convincingly shows that the recognition of social needs decision-making in the investment structure sphere that is most important for the development of production (which replaced the orientation toward the spontaneous innovative design in the R&D sphere) did indeed become an important instrument in increasing effectiveness. Three-fourths of the commercially profitable innovations in the '70s were developed and introduced in response to the study of market requirements and only one-fourth were born of the spontaneous innovative process. This research produced one more important conclusion: the statement that the present level of science and technology makes it possible to satisfy any need is untrue. Only a small part of the needs can be satisfied while observing the demands of economic effectiveness, i.e., by providing advantages that are sufficient both for producers and consumers.

The arsenal of American firms now has approximately 30 basic methods for simulating technical projects oriented toward needs. The firms employing these methods enjoy regularly high economic performance, stable profits, and high rates of product modernization. The new methods are also used in the planning of technical projects in the state sector (especially in the nature of

conservation sphere) and social programs. The goal is not to invest resources in a given project but is rather to find spheres necessary for the criterion of social utility for these resources and to create conditions for obtaining the maximum result.

The new paradigm of business management has been reflected in the shifting of emphasis in specialist training in higher education (fewer managers, but more economists), in changes in levels and responsibility of various corporate departments (R&D and marketing departments have become central), and in the pay of economists working in business.

In parallel with the turn toward to the stated economic role of social need, business has begun realizing that of all growth factors, human potential alone has inexhaustible potential. It is now recognized that a worker's attitude toward the labor process as such can become a mighty source of development. New motivational systems encouraging personnel to strive for maximum corporate performance are now being introduced everywhere.

Today, all corporations of any standings pay large sums for personnel training and retraining, regular and sick leave, to subsidize dining facilities and transport costs, etc. Of course, the firms carefully analyze all these costs for effectiveness. And there's nothing bad about this. It is much worse when we pay our personnel "automatic" bonuses (quarterly bonuses, the 13th payday, etc.) without obtaining any gain whatsoever for production. The firms' total outlays of this type increase their overall wage fund by at least 40 percent. The working people are now actively drawn into the management of certain aspects of corporate activity and many of them also participate in the profits. The decentralization of corporate management has been simultaneously accompanied by its democratization.

The sale of corporate capital stock was developed to an enormous degree in the postwar period, thereby making it possible to dramatically expand and democratize the circle of its owners while in the early '50s, there were approximately 6 million stockholders in the USA, there number is 47 million. Small stockholders are not involved in controlling the activity of corporations. They only receive part of the corporate profits. However, in the majority of cases, such control is also not exercised by large stockholders. The basis of control of today's corporation is knowledge and a corporation is managed by professional managers, which is also a sign of the scientific-technological revolution.

Thus, in all three spheres (the market, the state, business), the orientation toward man has revolved and production has been socialized and humanized.

Mechanisms of Effective Socially-Oriented Economic Development

And so we are viewing social reproduction on the broadest plane as the reproduction of man (society),

within the framework of which all vital means produced in this process are created and transformed into elements of social being. It was initially necessary to analyze certain particular questions concerning needs and socio-economic relations. The understanding of them was subjected to the grossest distortions during the years of stagnation. Let us now try to examine the basic principles of the functioning and development of the entire system of social reproduction as a whole in a unified system of concepts.

Understandably, the laws governing its development cannot be correctly understood if they are viewed only within the framework of one measurement—through the prism of changing modes of production and with the aid of traditional narrow economic categories. This required making the transition to broader “social” concepts. Among them it is possible to use such concepts as the *mode of life-activity* (need satisfaction), social (socioeconomic) forces and society's socioeconomic relations. All these categories are frequently encountered in the works of Marx and Engels. The change of modes of life-activity is the basis of the progressively growing line of mankind's historical development. This concept is broader than the mode of production both structurally and substantively. It includes not only the production of the means of existence but also the production of human life itself. The replacement of one historical epic by another is the formation and affirmation of new modes of life in all spheres, the progressive development of man himself, and not only modes of production and new forms of coupling labor power to the means of production.

Social forces are human forces in the broadest sense of the word: natural and unnatural, material and spiritual, material and nonmaterial, production and consumption. It is a non-system concept that embraces the entire creative potential of the human factor. Its basis is man himself whereas all other factors are nothing more than the instrumentalization of his own nature, labor, and intellect. The specific group of motivating and organizational-management factors capable of increasing man's creative potential many-fold stands in a special rank. It is a broad set of political and spiritual values capable of increasing man's labor activity, in particular the ideas of democracy, social justice, religious and moral principles, etc. The activation and motivation of the masses by the idea of bettering their welfare was a historically important factor in America's social and economic development. Democratic, civilian and political ideas played a paramount role. This spiritual potential has no less significance than material productive forces even though its contribution to overall development could not be differentiated or measured. Socioeconomic forces also include means of effective labor organization. The results of the action of this important component are clearly seen at the existing level in the balance of reproductive proportions that approaches the maximum when working time is correctly distributed between various needs, spheres of activity, and sectors of social production. Socioeconomic relations (i.e., the real basis

of society) is also viewed here on the broadest plane as relations pertaining to the satisfaction of the entire aggregate of social and economic needs.

Social reproduction and its social and economic development are a self-developing system. The question of the kind of mechanisms upon which its development is based has become problem number one for all social science. Without clarifying this, it is impossible to understand what reserves capitalism possesses and it is all the more difficult to answer the question of whether it is possible to create more incentives for social and economic progress on the basis of socialist methods than on the basis of capitalist methods. History does not by any means develop exclusively on the basis of directly economic laws. The real process involves the complex intertwining of economic, political, and other factors where economic necessity only makes its way “ultimately.” It is manifested as a certain historically determined reality that summarizes and incorporates all existing factors of social development.

In the legacy of Marx and Engels and other distinguished economists, there is a full set of basic principles that could become the basis of the theory of self-development. In them, the potential for the development of various social systems is directly connected with their effectiveness to society, but effectiveness is viewed on a broad socioeconomic plane simultaneously both has the rising level of need satisfaction and as the saving of working time. But Soviet political economy could not creatively dispose over the latter. In the '30s, it became the view that the theory of social formation can ascribe its laws to other sciences and that political economy must follow these prescriptions. The “Kratkiy kurs istorii VKP (b)” [Short Course on the History of the All-Union Communist Party (of Bolsheviks)] contains the formulation that “the mode of production of material goods” determines the nature of the social order. Subsequently, all accumulated political-economic ideas, including the ideas of Marx and Engels contradicting this conclusion were deleted from textbooks and were subsequently forgotten or distorted. As a result, technocratic views became deeply rooted in the Soviet science of political economy. Their logic made it mandatory that all research must begin with a description of the level of development of narrowly construed productive forces and this soon became the standard beginning of all economic and historical works. These views logically culminated in the model “science-technology-production,” in numerous studies that view this triad as a kind of dominant containing sources of development in itself. The mechanism of socioeconomic development is traditionally a difficult “nut” for our political analysis. Our studies of the U.S. economy (and of other Western countries) is entirely dominated by two directions. One of them concerns the study of modern productive forces, scientific-technical progress and the effectiveness of branches, groups of branches, and production at the microlevel. Another direction studies the evolution of capitalist property into monopolistic, state-monopolistic

property the development of internationalization and "transnationalization" processes. All these processes are in turn adduced from sequential qualitative changes in the productive forces. Both directions essentially follow the official methodology of formational analysis in which social forces are represented in a very limited way. At the same time, one of the most astonishing phenomena is our reluctance to notice that this methodology did not reveal the actual dialectics of historical progress. Societies with an extremely low level of development of the productive forces were proclaimed to have built socialism. This dichotomy reveals literally unsolvable contradictions when we analyze the "correspondence of productive forces and production relations, comparing, for example, South Korea and the Korean People's Democratic Republic, the People's Republic of China and Taiwan, Singapore and Hong Kong, the Federal Republic of Germany and the German Democratic Republic, Finland and the USSR, etc.

In a word, all attempts that have been made up to now to incorporate modern capitalism in the process of historical development based on formational postulates do not withstand contact with the real state of affairs in the two "coexisting" formations. The asymmetry of the main formational dichotomy is seen particularly at the socio-economic level.

In social science today there is no clear picture of either the content or the mechanism of socioeconomic development. There are deep differences over such important problems as driving forces and stimuli. For example, a whole list of factors on quite different planes are called sources: science and technology, the interaction of productive forces and production relations, needs and potential, contradictions and interests and, as regards capitalism—competition and profit.

Let us attempt to examine the mechanism of the socioeconomic process on the basis of the key categories of political economy—needs and labor.

Footnotes

1. K. Marks and F. Engels, "Sochineniya," Vol 21, p 26; Vol 37, p 394.

2. Ibid., Vol 46, Part I, p 30.

3. "Historical Statistics of the United States. Colonial Times to the 1970s," Washington, 1975, Part 1, p 340.

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The Development of a "Share Economy" in Western Countries

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[Text] In the present stage of perestroika, at a time when the acceleration and intensification of the economic reform, the elimination of the state's monopoly on the ownership of the means of production, the transition to full cost accounting, the orientation toward man, and the transformation of hired workers into co-owners of the means of production are being placed on the agenda, the creation of the appropriate mechanisms for realizing these tasks acquires paramount importance. It seems very useful to study the evolution of property relations, to make creative use of the experience of developed capitalist countries in increasing the working people's interest in the results of production, in drawing them into management, in increasing their motivation to work, and in improving the "climate" of labor relations.

Meriting serious attention in this regard is the new wave of systems of participation of hired workers in entrepreneurial activity since the mid-'80s. It reflects the needs of the present level of development of the productive forces and for the adaptation of production relations to them. The trend toward the more complete involvement of the worker in production and entrepreneurial activity and the amalgamation of various forms of participation into a single complex lead to the formation of a "share economy." It is a qualitatively new phenomenon with profound economic and social consequences.

The New Generation of Share Systems

Share systems are the substantive element of the new model of socioeconomic and scientific-technical development that has formed in the leading capitalist countries. The world economy in the '70s and '80s entered a new stage that can be called innovative. It is characterized by its science-intensiveness, by continuous structural change, by a high degree of dynamism, and by the primacy of quality over quantity, and by energy and resource conservation.

At the same time, certain basic economic concepts are being transformed and are acquiring new content and the character of market competition, in which technical product innovation is beginning to play the decisive role, is becoming more complex. The level and dynamics of labor productivity are determined chiefly by qualitative

indicators. Economic growth is increasingly understood to mean qualitative growth, including structural changes in production and problems relating to the quality of life.

The new type of economic development advances to the forefront the creative individual whose talents and abilities are the principal driving force behind scientific-technical progress. At the same time, the actual development of technology is to an ever greater degree oriented toward the increasing complex material and nonmaterial needs of the individual. Hence the actualization of the problem of motivating the working person, of creating conditions for the development of his personality, for the realization of his talents and abilities on the job. The innovative process, based on the creative approach to labor, requires a highly motivated worker who is highly skilled and full of initiative and who is deeply involved in the decision-making process. This objective requirements makes its mark on the entire sphere of relations between labor and capital.

Mass specialized production was able to get along with peremptory [konandnyye] methods of management, with rigid labor rules and the relations of "cooperative conflict" between labor and capital. However, with the transition to new flexible technologies, this type of labor relations becomes a serious obstacle to the realization of the advantages that new technology has to offer.

The scientific-technological revolution required a higher level of general education and vocational training and the rapid mastery of new labor functions. As a result of changes in the social division of labor, brain workers acquire a key role in the system of production. Among a considerable part of the blue- and white-collar workers, there are changes in the very attitude toward work: it is changing from a way of securing the means of subsistence increasingly into a means of self-expression. From the standpoint of capital, cooperation and a feeling of the commonality of interests are vitally important for preserving its competitive positions in the face of rapidly changing technologies and the demands of the market.

The more vigorous policy to involve working people in business is part of the general context of the profound changes in labor relations that are expressed in the turn away from "negative control" to positive cooperation, in the decentralization of collective-contract regulation, in the establishment of direct contracts between the administration and workers, if possible bypassing the trade unions whose positions in many countries have appreciably weakened.

Finally, some economists emphasize not without foundation that the transition to a "share economy" creates a work incentive mechanism that helps to reduce inflation and stabilize employment.¹

While participatory systems have a long history, a number of features concerning their use today make it possible to speak about a "new wave." Unlike the past, they are for the most part introduced not at the demand of the working people but at the initiative of employers

who have cast aside the "humanization of labor" and given the systems a more pragmatic nature. Here there has been a fundamental change in the theory and methods of managing "human resources." Capitalist management (at any rate, its progressive circles) is making the transition from the strategy of subordination and control to the strategy of "involvement" and partnership.² These changes are closely connected with the new phase of the scientific organization of labor based on the principles of the socio-technical approach.³

Today's participatory programs usually embrace not individual categories of enterprise personnel but the entire work force regardless of function and level of responsibility. While their goal in the '60s and '70s was for the most part to "rationalize the workplace," the present goal is to increase the effectiveness of production and to improve labor relations in general. The new share systems go farther than their predecessors. Payments from profits frequently become a substantial or even the main element of remuneration. Occasionally there is also transformation of property when it is to a significant degree transferred to an enterprise's hired workers.

The share economy is based on well-functioning mechanisms for its realization at enterprises, on legislative acts, and tax exemptions. Three principal forms of participation by the working people in entrepreneurial activity can be identified: participation in profits, in property, and in management. Each of them can be applied independently. However, since the mid-'80s, they have more and more frequently operated in combination with one another thereby generating a synergistic effect.

Profit Sharing

Profit sharing has long been viewed by owners as a means of preserving social peace within the firm, as a factor for increasing interest in its economic success. In practice, however, this system has been used in a quite limited framework and primarily in the nature of an experiment. Not until the '80s did it begin to occupy a prominent place as one means of corporate survival in the face of fierce competition. Hence the dramatic increase in the scale of profit sharing and the emergence of qualitatively new forms of this practice.

When this system is used, labor income breaks down into two parts: constant and variable. The first part—basic wages—is determined in the course of formulating the wage agreement within the framework of the collective contract. As regards the second part, a special agreement that is usually filed with the tax agency in order that the firm might receive certain tax benefits connected with the action of such agreements, is concluded between the administration and representatives of hired workers.

Modern forms of profit sharing are widely differentiated depending on the indicators and modes of bonus payments, and the size of the latter are more substantial than

in the past. The stereotypes that existed in Soviet economic literature characterizing profit sharing as compensation for a short fall in wages (even though this possibility is not excluded in individual cases) is hardly applicable to them. The normal level of pay in profit sharing companies is usually no lower than in other similar companies. Supplementary payments from profits depend on a multitude of circumstances, including the level of production costs and prices, the competitive and financial status of the company, and cyclical fluctuations of production.

In Great Britain 16 percent of all hired workers are covered by profit sharing systems and their popularity is growing. The position of the leadership of most trade unions is "not to let the idea get out of hand" since it is attracting the attention of an ever larger number of trade union members. Polls indicate that 61 percent of the British companies that have introduced financial sharing systems give their workers a share of the profits in the form of routine bonus payments (in accordance with the dynamics of profits).

According to some estimates, in order to keep personnel motivated at the proper level, at least 20 percent of their income must come from profits in the form of bonuses, dividends or accumulations pension accounts. Only such an array of material incentive components can provide a sufficiently high degree of "identification of interests" of a hired worker with his company.⁴ However, today bonus payments from profit sharing systems are limited: only 21.2 percent of the bonuses exceed 10 percent of aggregate income while 60 percent of them comprise less than 6 percent.⁵

In the USA profit sharing plans are offered by more 15 percent of the companies, including such leading companies as Eastman Kodak, Proctor and Gamble, and Standard Oil of California. Twenty-two percent of the entire work force is covered by profit sharing plans (1986). They are usually offered at large enterprises with mass-flow production. The majority of the programs are geared to deferred rather than immediate payments. Many of them are essentially pension systems. Thus a study of 38 major U.S. corporations showed that 28 of them make deferred payments, 6 make partially current payments, and only 4 make totally current payments.

Lincoln Electric is a company that provides an interesting example of a program of current payments comprising a substantial part of earnings. It pays year-end bonuses to 2600 blue- and white-collar workers from its residual income after discharging all obligations (40-55 percent of its profits before taxes). The bonuses range between 70 and 130 percent of wages (105 percent on the average).

Profit sharing is widespread in Japan, which is one of the reasons for the high level of worker motivation and the high competitiveness of the products produced by Japanese workers. In addition to time-rate pay, most permanent industrial employees are paid bonuses twice a year.

They average a little over one-fourth of their earnings and in good years can amount to 5 month's pay or more.

When profit sharing is based on balance-sheet profits, its connection with the increased contribution of the worker himself is not as evident. Therefore incentive systems connected with the results of actual production activity (conservation, reduction of production costs, higher output) are frequently introduced. Profit sharing systems thus become performance sharing systems.

Property Sharing

Property sharing generates a more stable interest in company's activity, especially as regards the modernization of production and the strengthening of the financial base. It is realized primarily through the purchase of stocks by blue- and white-collar workers in "their" enterprises. The ownership of stocks differs from profit sharing in one substantive aspect: the endowment of the individual with the status of a "property owner," which can play an important role under specific circumstances.

The offering of stocks to blue- and white-collar workers pursues broader goals than profit sharing: not only the "identification of interests" of the work force and the company, but also the mobilization of the personal savings of the working people for investment in production. Conservative governments (this is especially characteristic of M. Thatcher's government) also view such programs from the standpoint of political and ideological objectives. They tried to broaden their social base by promoting small-scale stock ownership by individuals.

Various forms of capital sharing have been traditional in the USA. They underwent further development in the '80s. Thus, the number of firms distributing stocks among their work force rose from 6000 in 1982 to 10,000 in 1989, while the number of persons employed in these firms rose from 4.2 million to more than 12 million, which comprised over 10 percent of the entire work force.⁶ In 1966, 30 percent of the work force, including 27 percent of the industrial work force, owned stocks. Typically, internal stocks are issued primarily by high tech firms in which the problems of motivating the highly skilled work force and using its intellectual resources is especially urgent. In the USA in recent years, stocks or profit sharing have been offered to workers under collective contracts as compensation for pay cuts or freezes. Such agreements have been concluded in the steel and automotive industry.

Property sharing plans are actively encouraged by the U.S. Government. Twenty-two legislative acts along these lines have been adopted since 1974. They provide income tax exceptions on employers' contributions to property sharing funds; exempt the aggregate financial resources of collective owners from taxation; cut in half taxable interest on bank loans to finance employee participation in stock ownership programs.

With the institution of such programs, the working people have a right to acquire a package of stocks after

they have been with a company for a certain period of time. The typical amount of capital available to the work force ranges between 10 and 40 percent. However in 10-15 percent of the programs, it is more than half. According to one survey (1985), the working people's contribution to the fund was on the average 10.1 percent of their wages while the average annual income from capital stock was 11.5 percent.⁷ As a rule, workers receive the full value of their stocks only when they are terminated or when they retire.

The increase in the number of stockholders in Great Britain was instrumental in the reprivatization of state property, which was accompanied by the distribution of some of the stock among the work force. As a result, approximately 96 percent of the employees of reprivatized companies subscribed to various kinds of securities. It should be noted that the share of stocks distributed among the work force was by no means reflected in their representation in stockholders' councils since many stocks were non-voting stocks. What is more, the share of stocks owned by employees of 55.6 percent of the companies is negligible, comprising less than 1 percent of their joint-stock capital.⁸

The overall number of stockholders has trebled since 1979 and now exceeds 8 million (approximately 20 percent of the adult population). According to a study conducted in 1985, 41 percent of the companies had at least one program for distributing stock among their employees.

Usually only relatively small British companies experiencing a shortage of additional capital for business expansion or affiliates of large corporations circulate "workers' stocks" in order to attract the working people's money for investment. Since 1980, when a program for accumulating part of the wages in corporate accounts with the subsequent purchase of stocks at a reduced price was introduced, the number of operating systems exceeded 1200. They cover approximately 1.3 million persons.⁹

The government established tax exemptions for companies adopting plans "sanctioned" (by the tax service) permitting members of the work force to become stockholders. These plans entitle an employee to acquire a stock package in a sum ranging from 1250 to 5000 pounds sterling depending on the employee's income level. The government encourages both companies and individual citizens to invest their savings within the framework of "personal joint-stock ownership plans." Plans put into effect since January 1987 entitle each employee to invest up to 3000 pounds sterling of his personal savings in the stocks of his company. It is mandatory that dividends be reinvested. There is a capital gains tax exemption for investments of from 1 to 3 years. According to the Treasury's Board of Inland Revenue in 1987 266,000 plans in which 466 million pounds sterling were invested went into effect.

The great majority of the owners of "workers' stock" are small owners. They have no real influence on a firm's strategy but are subject to the risk that is connected with market fluctuations. It is not surprising that the trade unions prefer collective forms of financial participation under their control. Practice shows that the greatest chance for becoming a real co-owner of corporate assets is enjoyed by employees who participate in capital not directly but through investment funds.

Such participation reduces the risk of the loss of invested funds on the one hand and promises a larger return as a result of the qualified management of the fund. At the present time, approximately 2.5 million persons in Great Britain (approximately 6 percent of the adult population) are stockholders in investment funds and 60 percent of them are also direct owners of corporate assets. The further development of this form of joint-stock property was promoted by the recent establishment of a cooperative trade union bank with a special investment fund.

This direction of sharing has been realized most completely and uniquely in Sweden. Trade unions planned using the collective participation of workers in corporate profits and property, *inter alia*, as a means of controlling private property and the entire economy. Working people's funds combine participation in profits, in joint-stock capital and in management. Sweden had special prerequisites for introducing this form of economic democracy: legislative principles regulating the participation of personnel in property and management; highly organized trade unions; the trade unions' necessary knowledge and experience in the management of the economic mechanism; active government assistance; and the existence of a theory and program of action that must be part of the special Swedish model of social development.

Working people's funds introduced in 1984 were placed in a rigid framework from the outset. Five regional funds were established. Each fund was entitled to acquire a maximum of eight percent of the shares of any national company registered on the stock exchange. The value of a package of shares must not exceed 400 million crowns a year. When some pension funds subsequently received rights analogous to the rights enjoyed by working people's funds, the quota of the latter was reduced to six percent of the shares.

The mechanism of the working people's funds is quite unique. The funds are formed from taxes on superprofits (20 percent of the sum in excess of 500,000 crowns) and from payroll withholdings (0.2 percent). These sums are paid by all companies except small and unprofitable companies as well as foreign affiliates. Resources are then transferred to pension fund accounts and may be invested in stocks and other securities with the mandatory stipulation that three percent of the profits be paid into the pension system. These profits are subsequently distributed among the working people in the form of higher pensions. The funds are managed by a directorate,

all nine members of which are appointed by trade unions, especially created in each of them.

Working people's funds in 1989 owned 20.5 billion crowns' worth of shares and controlled 2.6 percent of all joint-stock capital of companies registered on the stock exchange. On the average, the share of funds in companies is 6-8 percent (i. e., state financial organs in practice authorized them to exceed the six-percent quota); this share was much higher in some companies not registered on the exchange: 20 and even 30 percent.¹⁰ Thus even if the initially established limits to growth were exceeded, the working people's funds could not become a decisive force in Sweden's private capital market. In actual fact, they have become one more institutional stockholder.

As regards the role of working people's funds in bolstering the labor motivation, the return on them is postponed to the future in the form of a pension increase and has little dependence on the performance of the worker and his firm. These funds were only one of the forms of the Swedish working people's participation in joint-stock capital and profits that is quite limited in their influence on the structure of power.

Property sharing in the FRG has a firm legislative basis. The government attaches great importance to this direction, as clearly expressed by the law of 1984. Before its adoption, blue- and white-collar workers primarily accumulated capital in the form of savings bank deposits for life insurance and for the financing of housing construction.

According to the law of 1984, the annual sum of savings was raised from 624 to 936 marks per person. An individual deposit up to 312 marks was tax exempt if it was invested in stocks or other securities. What is more, personnel received additional savings bonuses in the amount of 23 percent of the sum invested in stocks by a single person or 33 percent for a parent of two children.¹¹ Employers also received payroll tax exemptions.

Under agreements concluded with individuals or collectives, an employer may transfer part of their pay to special accounts for at least 6 years. At the end of 1985, 17 wage agreements covering 400,000 persons were concluded that included a subparagraph on the "accumulation of state" [*nakopleniye sostoyaniya*] of a new type (i. e., participation in productive capital). In addition, 100,000 contracts were concluded on participation in joint-stock capital at 1100 enterprises with a capital of 6-7 billion marks and a work force of 1 million persons.¹²

There are various systems of personnel participation in enterprise capital in France. They were established for the most part in the '60s and '70s and were reformed in the second half of the '80s in no small measure under the influence of the denationalization of 1986. Some of them combine property sharing with profit sharing.

For a long time, employers viewed various forms of this system as a "passive obligation" and "institutionalized coercion" while workers and employees saw them as a "swindle" or at best as a tiny present. In recent years, the attitude of employers toward the financial participation of personnel has changed because the latter has been accompanied by large tax exemptions, is designed to form a "motivation for effective labor" and to promote a more effective wage policy. The weakening of the positions of the trade unions, especially of the CGT, which had a negative impact on the financial and other participation of the working people in enterprise affairs, promoted the change in workers and employees' attitudes toward it.

The oldest form of financial participation—"interest" in the success of the enterprise (1959) is connected with the growth of profits or higher income from the growth of productivity. Extremely unpopular in the '60s and '70s, it became more attractive to workers and employees in connection with the abolition of wage indexing. Sums of profits paid out under this system are not taxed and workers and employees receiving bonuses are exempted from payments to social funds. The main purpose of bonuses based on "interest" is the purchase of enterprise shares and the augmentation of enterprise capital.

The financial participation of personnel in enterprise capital was further developed in the laws of 1967 and especially in the laws of 1974 and 1984. The law of 1967 made profit sharing mandatory for all enterprises with a work force of 100 or more. A special reserve fund for the purchase of shares by personnel is formed from the deducted share of profits which is negligible vis-a-vis wages (2.8 percent on the average in 1982). In 1968-1982, it rose to 47 billion francs or 2200 francs per fund participant.¹³ At the end of 1984, more than five million persons were covered by profit sharing and, moreover, the great majority of agreements were concluded between corporate management and enterprise committees.

In addition to the establishment of a reserve fund from a share of the profits, there are also "collective saving" plans based on monthly deductions from wages—on the whole not more than 25 percent of its annual sum. The firm itself can also contribute an untaxed sum to this fund. Before 1984, its maximum was 3000 francs a year per employee. Subsequently, it has ranged between 10,000 and 15,000 francs. What is more, special individual savings funds that are "blocked" for 5 years are also established. Their participants enjoy an income tax reduction in the amount 25 percent of their contribution (but for a maximum of 5000 francs). The fund may be "unblocked" if an employee is terminated, retires, or becomes disabled.

Savings funds consist partly or entirely from corporate stocks, part of which may be presented to employees free of charge or can be used to augment pensions.

The denationalization of production stimulated the "aktsionariat," i.e., the distribution of stocks among employees. This form is more advantageous to employers who may also acquire stocks but in amounts that do not exceed participation by personnel and is not taxed whereas income on employees' stocks is taxed. What is more, enterprises also offer stock options, i.e., the subscription to or purchase of stock under preferred conditions but it may not be sold for 5 years.

Employee participation in capital, which has gone quite far, sometimes leads to the transfer of the ownership of companies to their own work force. There are presently more than 5000 such companies in the USA at the present time.¹⁴ There are firms in the country that specialize in facilitating the transfer of enterprises to joint ownership. In EC countries in 1981 there were 14,000 companies that had become the total property of their work force. They employed over 0.5 million persons.¹⁵ This is essentially a cooperative form of ownership with the distinction that it originates not as a result of the amalgamation of small private owners but as a result of the buyout of an enterprise by its employees. This form of ownership has become widespread in the Scandinavian countries. Sweden's manufacturing industry alone, for example, numbers over 100 employee-owned firms. In Italy, 2.5 percent of the entire economically active population (excluding agriculture) is employed in such firms.

Participation in Management

The involvement of employees in management is the most sophisticated direction of management strategy that corresponds to the objective needs of the new stage of the scientific-technological revolution. This participation takes place at various levels—sectors, shops, enterprises and firms. Semiautonomous, self-managing teams performing a certain production cycle and bearing full responsibility for product quantity and quality, for uninterrupted work and the integrity of the equipment have proven to be most effective at the lowest level. Here, the organization of labor and the distribution of functions are within the team's jurisdiction.

The introduction of the self-management principle instead of rigid management by fiat is connected not only with the motivation to work but also with technico-economic factors. The result of using robots and adaptive production systems in the industrially developed countries shows that performance depends on the combined effort of the entire team and not the individual productivity of each of its members. Hence, the need for collective forms of organization and motivation.

Participation in management at the enterprise and corporate level is expressed in the functioning of special organs—production councils, advisory committees, "worker-directors," etc. For all the unique features of participatory systems in Japan, the Federal Republic of Germany, France and other countries, they also have points in common. Thus, the decision-making right is

realized in more complete form in spheres concerning the organization of labor, its regulation (length of the workday, leave time, etc.), and forms and levels of wages. Employees' representatives are sometimes consulted on scientific-technical programs and employment policy. Nevertheless, the decisive areas of management, including investment, technical, and personnel policy and the distribution of profits are entirely within management's jurisdiction.

Employee participation in enterprise management assumes different forms in the majority of developed capitalist countries. There are two poles: the system of participation in the Federal Republic of Germany, on the one hand, and joint consultation and collective contracts in Great Britain and the USA on the other. Between them are the Italian "internal commissions," the French "enterprise committees," various mixed commissions, and the Swedish "joint decision" system.

Back in 1951, the Federal Republic of Germany promulgated a law on "coparticipation in decision-making" under specific postwar conditions. It applied only to enterprises with 1000 or more employees in the coal and metallurgical industry (i.e., in branches that were especially important for the initial period of economic restoration). The law provided for the parity participation of employers and employees in the observation council, established the "worker-director" in corporate management, and placed personnel issues in his jurisdiction.

In 1956, an additional law was passed on coparticipation in the same branches but in holding companies. The parity coparticipation of employees on observation councils was realized only when enterprises belonging to a holding accounted for more than 50 percent of the turnover of the corresponding branch. The number of enterprises with parity participation decreased significantly as a result.

The parity principle also "disappeared" as a result of the earlier law of 1952 that extended the system of employee participation on observation councils to all other branches for companies with a work force of 500 persons or more. The same law permitted up to one-third of the employees to participate and, what is more, trade unions were not entitled to nominate candidates. The people on the observation councils were usually those who were well-known to management on the basis of production experience.

In 1976 the FRG passed a new law on coparticipation that extended to all branches (with the exception of the coindustry and ferrous metallurgy) and to all companies with 2,000 or more employees. Outwardly this law looked more democratic because it introduced parity representation for employees (the old order—one-third—was preserved at smaller enterprises). But one nonelected "neutral member," who was pleasing to management, was appointed to the council, thereby giving stockholders the majority vote. Employee representatives also included one executive employee from

the upper echelon of management. The chairman of the observation council was elected merely with the agreement of stockholder representatives and held the deciding vote (the actual right of veto) in disputes.¹⁶ But even in this truncated form, the West German form of "coparticipation in decision-making" continued to be considered unacceptable both to employers and to trade unions in many other countries.

As regards the "worker-director" on the enterprise board, under the law of 1976 he, like other members of the board, is elected by a two-thirds majority vote of members of the observation council. In fact, he can be elected against the will of the majority of employee representatives in coparticipation organs (under the 1951 law, the "worker-director" could not be elected against the will of a simple majority of employee representatives). A representative of management is most often elected or, more precisely, appointed to the post of "worker-director." His jurisdiction includes quite a narrow range of problems concerning personnel policy and mediation in relations with trade unions. However, he is by no means concerned with general management to say nothing of investment.

The activity of production councils, which are elected at all enterprises employing no more than five persons is related to a lower level of participation in the FRG. The council has advisory authority; management consults it on many socioeconomic problems concerning personnel that are not a part of the collective contracts, including working conditions, vocational training, employment, corporate housing policy, etc. The employer must inform the council and hear its opinion on this range of issues. What is more, enterprises employing more than 100 persons have an "economic committee" that includes representatives of the owners and of the production council. The committee meets once a month and is obligated to inform the latter about technical production and socioeconomic changes at the enterprise. The owners do so very cautiously so as to preserve "company secrets."¹⁷

It should be noted that coparticipation in decision-making is by no means so smooth and that it generates resistance from a number of West German companies who try to restrict the real influence of employees. Trade unions occasionally see violations in its practical implementation and deprivation of the possibility of participating in the decision of important questions—the direction of investment, technological change, etc.

Since the '70s, other West European countries (Austria, Denmark, Norway, Sweden, Belgium, Luxembourg) have used forms of employee participation in management—membership on the observation council, the "worker-director"—that are similar to one degree or another to forms employed in the FRG. The role of worker councils in Denmark and Switzerland in the '80s was strengthened by special cooperative agreements with employers. In general, the practice of bilateral and even

trilateral consultations in the creation of voluntary advisory bodies have increasingly become the practice.

The broad diffusion of the participatory management system in Japan is usually associated with the specifics of that country's labor relations and national traditions (paternalism: "the firm is one big family"). However, one must not lose sight of the particulars of Japan's postwar economic situation when access to the world market was a life and death question for it. Making national products more competitive with the aim of winning foreign markets—this was strategy at the basis of cooperation between labor and capital, the institutional form of which was participation in management.

This system functions at all levels of the national economy: (1) at the level of the workplace, sector, shop—in the form of autonomous teams and the widely renowned "quality circles"; (2) at the level of the enterprise and the firm—in the form of production committees that include representatives of employees and management as well as the already examined institution of "worker-directors"; (3) at the level of branches where branch advisory committees consisting of representatives of trade unions and employers' organizations operate; (4) at the level of the national economy, on the scale of which there are a number of government advisory councils on labor and capital with the participation of representatives of the government, national trade union centers, and the employers' federation.

"Quality circles," that unite small groups of workers and specialists involved in the same production cycle, do not limit their functions to quality control. A considerable place in their activity is taken up with the rationalization of production and the search for ways of saving power, raw materials, and supplies, which is encouraged by bonuses and promotions. Efficiency enhancement proposals are routinely examined by management and over 70 percent of them are put into production.

Over 80 percent of Japan's workforce is involved in the quality control and efficiency enhancement movement.¹⁸

The new type of labor organization in the form of autonomous teams that are usually connected to adaptive automated systems are the skeleton of the management participation pyramid. Autonomous team leaders are part of the advisory groups of sectors and shops and the heads of the latter belong to enterprise production committees.

At the present time, 77 percent of the enterprises with a work force of 100 or more have such committees.¹⁹ Production committees, or as they are sometimes called, committees on corporate management, include all members of the council of directors and several trade union functionaries.

Practice shows that there are various stages of employee involvement in the decision-making process. When a

decision involves working conditions, wages, work regulations or the coordination of interests, it cannot be made contrary to the opinion of employee representatives. While consultations are held on production matters, the final decision rests with management. Finally, corporate management only briefs the work force on such management issues as investment, financial, and structural policy.

Employee participation in management in Sweden is within the framework of a special social model developed and successfully implemented by the social democrats. In the sphere of production relations, this model is based on the social consensus principle or on the contractual regulation of relations between labor and capital. In the '70s, numerous laws with the common intent of involving the working people in the decision-making process that concern their status as workers and possibly as owners of enterprises, were drafted and adopted with the direct participation of the country's trade unions. The law on coparticipation (1977) and the agreement on development (1982) are considered principal among them.

According to the law on coparticipation, any change contemplated by a company in the conditions and character of production must be coordinated with the trade unions. From this fundamental legal principle stems the right of trade unions to obtain and the obligation to management to promptly provide information about all projected changes. However, the law leaves the actual deciding word to the owners. Trade unions can only postpone the decision of a question whereas the owner is entitled to reject negotiations for all manner of reasons.

The agreement on development, which was concluded by the Central Association of Swedish Trade Unions, the Swedish Employers' Association, and the Cartel of Private Sector Employees in 1982 was suppose to take into account the experience of applying the law on coparticipation, to correct some of its shortcomings, and to orient coparticipation toward scientific-technical development. The agreement concretized the forms of coparticipation and the basic directions of corporate activity, in the definition of which employees participate. Among them: the improvement of labor organization, technical development, the economic situation, and the distribution of resources.

Analysis of information obtained by the trade union on plans for corporate scientific-technical and financial development is the most difficult point in employee participation in management. Employees study the principles of management in order to become more knowledgeable on these matters. Trade unions also call upon in-house or outside consultants for their help. Financial costs associated with the actual organization of coparticipation are distributed between trade unions and employers on a parity basis.

The agreement on development, like the law on coparticipation, skirts control issues. Thus, the "coparticipation" concept that appears in the given acts corresponds entirely to the formulation of the Swedish Employers' Association: it must be restricted to the sphere of working conditions in the workplace and must not touch on questions of participation in strategic management and in joint-stock capital with a controlling vote.

As regards scientific-technical development, the potential for coparticipation is limited by the insufficient jurisdiction of trade unions and their representatives. Nevertheless, Swedish trade unions are considered the best prepared in this area, primarily because of their own base of educational and research institutions.

Participation in management in Great Britain has developed predominately in the form of joint consultations, the significance of which has grown since the second half of the '70s. In the '50s and '60s, less than half of the companies in the manufacturing industry used joint consultations, but by the mid-'70s as many as 75 percent of them had one or more advisory committees. The term "consultation" is used in Great Britain to denote a large number of different forms of cooperative involvement of employees with management—from advisory committees and other forms of representation more or less distinct from the structures established for collective bargaining to the direct involvement of individual workers in their workplace and sectors.

The consultation system has many versions that vary from company to another. In most general form, they have direct and representative forms of participatory involvement. Representative forms, in addition to advisory councils and committees, include such elements as "briefing groups" (groups for the exchange of opinion and briefing of employees) or "quality circles." In their everyday practice, these groups and "circles" are connected with innovative and efficiency enhancing activity and with the reorganization of work in the direction of increasing personal responsibility, the potential for self-realization, and the development of initiative directly in the workplace. Thus, the boundary between direct and representative forms of participation is essentially quite conditional.

A characteristic feature of Great Britain is the accelerated development of specifically these direct, flexible and informal types of participation of employees at personal and low representative levels as a supplement to the formal procedures of joint consultations. Worker representation at the highest levels of management still remains entirely undeveloped.

Despite seemingly significant successes in the development of various forms of employee participation in enterprise management, Great Britain's system of joint consultation carries with it the traditional burden of conflict-laden negotiations. This is expressed in the strong mutual distrust of managers and trade unions as participants in the joint consultation process and in

disagreements about where to draw the line between the joint decision-making zone and the zone of consultation or simple exchange of opinion. Trade union representatives not only try to defend their right to make decisions on issues of interest to them but advance their own problems for consideration.

In the USA, notwithstanding individual examples of employee involvement in management, these systems have not enjoyed any degree of broad support on the part of employers and managers, who continue to be faithful to authoritarian norms and the principles of individualism. However, the ideas and practices of employee involvement in the decision-making process has begun making its way in the '80s with the spread of new adaptive technology and under the pressure of stiffening competition. Unlike a number of other capitalist countries, participatory systems do not enjoy legislative support here, but develop within the framework of "voluntary cooperation" between labor and capital.

Thus, various forms of involving the working people in management are everywhere becoming a part of the life of developed capitalist countries and the rate of change in this direction continues to grow.

The Consequences of Participatory Systems

Information on the economic effectiveness of participatory systems is limited. This is connected with the difficulty of making an evaluation and also with the fact that the data on their effectiveness become a commercial secret as they are introduced into practice. Available fragmentary information and assessments indicate that various forms of participation produce uneven but for the most part positive results. Evaluation based on the use of econometric methods in the USA showed that labor productivity in profit sharing firms was 32 percent higher than in firms not sharing profits. Labor productivity was 46 percent higher where workers participated in the decision-making process.²⁰ The participation of workers in the determination of wages yielded especially high results. However the evaluation of the influence of participatory systems on labor productivity is inevitably tentative because the innovative process leads to continuous change in quality characteristics and product mix. This also makes levels of labor productivity incomparable even for a relatively short period of time. At the same time, employee participation in management is a prerequisite to the acceleration of innovative development and is a great factor in increasing the competitiveness of firms practicing such participation.

This is also attested to by the higher growth rates of companies that are partially owned by their employees. A 1986 survey of 45 American companies distributing stocks among their employees showed that their annual increase in employment was 5.05 percent while the sales volume was 5.4 percent higher than similar companies

not having such programs. What is more, the effectiveness of production of 73 percent of the surveyed companies rose significantly after employees were allowed to participate in joint-stock capital.²¹

FRG firms involving workers in the decision-making process improved relations between workers and management, reduced personnel turnover, and increased investment in "human capital." Where profit sharing was offered, there was increased employment without an appreciable increase in labor productivity.

American researchers of the FRG experience note that the main contribution of the participatory system was the encouragement of cooperation among "social partners" and of the willingness to agree to change.²² A survey of 303 British companies (1986) offering property sharing showed the following. Employers' expectations that employees would identify their interests with corporate interests were entirely justified and expectations of increased productivity were more or less justified. The principal result of participation was that workers had a greater sense of partnership and attachment to the enterprise, and an awareness of problems connected with production costs. The study of the opinion of participatory systems in four British companies indicates a positive attitude toward them on the part of most workers. Many workers developed an increased interest in the firm's financial affairs. The participatory system's greatest support comes from elderly workers. Trade union members spoke out for the participation of trade unions in program management.²³

There is special interest in the activity of companies that are totally owned by those who work for them. At an international conference held at Oxford University on this question, it was noted that joint ownership resulted in an increase in labor productivity by 10-15 percent. In such companies, the motivation to work rises and conflicts disappear. At the same time, there is a lack of business skills and an attempt to avoid risk-taking.

The experience of capitalist countries shows that the best results of participatory programs are produced when they are used not in isolation but in various combinations with one another are reinforced by modern technology and the progressive organization of labor. In particular, a survey of FRG machine building firms showed that practically all companies offering property sharing programs used the same profit sharing systems (even though more than half of the companies offered profit sharing without property sharing).²⁴

The combination of property sharing with participation in the decision-making process proves to be especially effective. While the former generates a strong impulse toward productive labor, the latter enriches it by a flow of creative ideas from employees thereby multiplying the effect of improving quantitative and qualitative indicators. This is also confirmed by the previously mentioned survey of American companies that gave their employees the opportunity to participate in joint-stock capital.

Those that involved workers in management in one form or another grew 3-4 times faster than companies offering only capital sharing programs.²⁵ On the other hand, management participation programs not based on participation in property have a less pronounced positive effect.

The success of participatory programs hinges on companies having sufficient financial resources, on the training of management through the "industrial democracy" method, on providing employees with the necessary information, on their agreement to implement programs, on the participation of trade unions in their formulation and implementation, and on guarantees against being fired. Despite the advantages of participatory systems, their scale is as yet quite limited. In the USA, for example, according to a study conducted in 1987 among enterprises with 100 or more employees, only 10-15 percent offered real participatory programs involving 10-20 percent of the work force.²⁶ What is more, not all enterprises have the necessary conditions for introducing participatory systems. They frequently encounter resistance on the part of managers who do not wish to relinquish their prerogatives and sometimes of trade unions who are disinclined to assume responsibility for private enterprise activity. Nevertheless, the further development of the economics of participation is obviously a promising direction in the evolution of modern labor relations. Until recently, our literature frequently regarded the participation of working people in managerial activity as "symbolic," as "illusory," as not altering their production and social status. However, the new wave of participatory systems in the '80s and its qualitative features demand that we take a new look at these views. Together with other new phenomena of the present stage of capitalist development, this provides a basis for speaking of fundamental change in its production relations.

The partial or total conversion of joint-stock companies to the property of workers and their involvement in production management, however limited it might be, indicate the birth of elements of new production relations in the bowels of capitalism. The trend toward democratization of property and management as a result of the objective needs of the present stage of the scientific-technological revolution is leading to the formation of a hybrid social type of employee-owner within the working class and is generating embryonic forms of its involvement in and disposition of the modern means of production. The participatory economy creates new possibilities for increasing the influence of the working class, for its further development, and for the resolution of social problems, but their realization requires the increased activity of the labor movement and the serious modernization of its strategy and tactics.

In our country, the creative use of various systems of participation of the working people in management could be appreciable benefit in resolving the problems of perestroika. Democratic socialism, which is its condition and goal, also creates the most favorable soil for the

formation of a "participatory economy." We must not fail to consider the fact that the democratization of the political system is integrally connected with the democratization of the economy.

Already in the present stage of the economic reform, the introduction of property sharing systems for the working people could be an important means of transforming property relations, of eliminating stage monopolism, of transforming the working people into the masters of production not in words but in fact. It is entirely appropriate at enterprise that have been converted to leasing. Property sharing can be realized either through the sale of stocks to enterprise blue- and white-collar workers under preferred conditions or through deductions from profits. This practice must be encouraged by tax exemptions.

After experimental verification and the accumulation of experience, legislation should be developed on the formation of the working people's property through participation in productive capital. Such a form of participation would help to stabilize work collectives, would increase their interest in accumulation, and would be an additional source of means for the technical retooling of production. The conversion of enterprises to the property of work collectives can produce an economic effect only within a framework of an integrated economic reform, only if the system of centralized planning and funding is abandoned and the transition is made to a market economy that stimulates the creative initiative of every economic subject. Programs developed with the help of STK, trade unions, and other social organization for participating in the results of enterprises' activities could find broad application in the implementation of the principle of full cost accounting. They could be oriented not only toward the profit enhancing indicator but also toward the growth of productivity, the reduction of material- and energy-intensiveness, toward higher quality, etc., depending on what is most important to a given enterprise or branch. In the case of successful economic activity, payments based on the indicated systems should be quite appreciable. The advantage of property and profit sharing systems is that they are a noninflationary method of stimulation. What is more, they can serve as a means of counteracting inflation (the closer coordination of wages with performance, the purchase of stocks, deferred payments) if they functioned properly, they could play an important part in spurring the worker to greater activity, in overcoming apathy, in improving the climate of labor relations.

The involvement of the working people in the real management of production is of enormous significance in revolutionary restructuring. As V. I. Lenin emphasized, the organization of the democratic management of the means of production by all the people is a necessary condition to truly revolutionary reform.²⁷ The real involvement of the working people in management is a natural means of mobilizing and developing the creative

potential of working people, of increasing the effectiveness of production, and of democratizing society's economic and political life.

Footnotes

1. See M. Z. Weitzman, *The Share Economy. Conquering Stagflation*. Cambridge, 1984.
2. As Japanese professor Tadao Kagano notes, "the motivation and involvement of the work force and its participation in the results of production are among the fundamental principles of Japanese management" (*MONTHLY LABOUR REVIEW*, August 1988, p 36).
3. See "Sovremenny kapitalizm: sotsialnopoliticheskiye problemy i protivorechiya NTR" [Modern Capitalism: Sociopolitical Problems and Contradictions of the Scientific-Technological Revolution], Moscow, 1989.
4. *THE FINANCIAL TIMES*, 21 April 1987.
5. *LRD FACT SERVICE*, 11 June 1987, p 96.
6. *BUSINESS WEEK*, 15 May 1989, p 118.
7. *HARVARD BUSINESS REVIEW*, September-October 1987, pp 127-128.
8. *LRD FACT SERVICE*, 11 June 1987, p 96.
9. *THE TIMES*, 5 February 1987.
10. *VECKANS AFFARER*, 28 October 1989, p 35.
11. "Workers Participation: A Voice in Decision 1981-1985," Geneva, 1986, pp 267, 268.
12. "Sozialbericht," Bonn, 1986, p 48.
13. *DOSSIERS STATISTIQUES DU TRAVAIL ET DE L'EMPLOI*, No 14, 1985, p 1365.
14. *BUSINESS WEEK*, 23 October 1989, p 20.
15. *INTERNATIONAL JOURNAL OF INDUSTRIAL ORGANIZATION*, March 1988, p 8.
16. "Workers Participation: A Voice in Decision 1981-1985," p 184.
17. "Mitbestimmung," Bonn, 1979, p 190, 191.
18. A. B. Orfenov, "Yaponiya. Uchastiye trudyashchikhsya v upravlenii proizvodstvom" [Japan: Participation of the Working People in the Management of Production], Moscow, 1985, p 120.
19. *INTERNATIONAL LABOUR REVIEW*, NBo 57, 1988, p 638.
20. *INTERNATIONAL JOURNAL OF INDUSTRIAL ORGANIZATION*, March 1988, p 146.
21. *HARVARD BUSINESS REVIEW*, September-October 1987, p 127.
22. *MONTHLY LABOUR REVIEW*, No 9, 1984, p 29.
23. M. Fogarty and M. White, "Share Schemes," London, 1988, pp 11-12, 76-79.
24. *INTERNATIONAL JOURNAL OF INDUSTRIAL ORGANIZATION*, March 1988, p 128.
25. *HARVARD BUSINESS REVIEW*, September-October 1987, p 128.
26. *LABOUR AND SOCIETY*, July 1988, p 326.
27. V. I. Lenin, "Polnoye sobraniye sochineniy" [Complete Collected Works], Vol 30, p 71.

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Britain's National Security and Military Policy in the '80s

904M0012F Moscow *MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA* in Russian No 5, May 90 (signed to press 16 Apr 90) pp 88-96

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[Text] One of the most notable results of the decade the Conservatives have been in power has been their implementation of their own version of British military policy which has important unique features of its own. From the very beginning, the government headed by M. Thatcher set itself certain long-term goals and has quite consistently tried to attain them. While preserving the security policy that has been traditional for all British governments starting with the first postwar years, the Conservatives have formulated their own concept and have tried to implement it in practice.

What determines the British leaders' approach to basic security problems today, what are the principal objectives of British military policy, and to what extent are they being achieved? The results of this policy and its influence on the solution of arms reduction and disarmament problems merit close attention. Since a substantial gap has developed in the '80s between the position of the conservative government and the line of the opposition parties, the Labor Party in particular, the question of nature of an alternative course and the possibility of its implementation also arises.

Basic Goals and Conditions In the Formulation Of Military Policy

For a long time, all the way up to the early '80s, the interpretation of many key aspects of British national security was considered to be generally accepted and not subjected to any kind of scrutiny. Those who articulated the nation's foreign policy and military policy did not try to formulate a clearly defined, exhaustive conception and were guided primarily by pragmatic considerations.

Even today, it is hardly possible to speak of a detailed national security doctrine set forth in government documents and submitted for the judgment of the British public. Instead there is a number of quite constant foreign political and military political principles based on the dominant views in the nation's political circles concerning Britain's role in the world and its potential, on assessments of potential threats and on the choice of the most acceptable means of neutralizing them.

National security in Great Britain is usually understood to mean carrying out three main tasks as a result of the purposeful use of political influence and military potential. They are, first preserving the inviolability of the territory of the United Kingdom; second, maintaining the armed forces together with NATO allies at a level sufficient to withstand the Warsaw Treaty Organization; and, third, protecting several colonial possessions that still remain from the former British empire. Conservative circles in the '80s have frequently proposed adding to them the protection of sea lanes outside the sphere of NATO activity that are most important to Britain and its allies. Representatives of the country's different political forces differ in their evaluations of the importance of these tasks. While all British politicians regard the first of them as unquestionably taking priority, there are appreciable differences in the approaches to the others by the establishment and all the more so by the British public.

Among the principal factors influencing the formulation of military policy, the following play the largest role:

- All British political leaders, representatives of the armed forces' command element, and military experts must in one way or another consider Britain's position in NATO and bilateral Anglo-American cooperation, above all in the area of nuclear weapons, in examining national security problems and in reaching concrete decisions in the military policy area. The thesis in government documents that "British defense policy is based on membership in NATO" is viewed as an axiom that is not open to question.¹
- After the completion of the long process of concentrating Great Britain's foreign political and military efforts in Western Europe, the importance of non-European military-political obligations has diminished substantially. Even though the fulfillment of such obligations "outside the zone" of NATO, including the "defense of the remaining dependent territories" and sea lanes has not ceased, the priority of the European aspects of security to Britain is quite obvious.
- Britain's interest in NATO stem to a considerable degree from the country's geographical location. On a military-political plane, they are connected first and foremost with strengthening the northern flank of the alliance, with providing an opposing presence in the Northeast Atlantic, and also with participation in NATO forces in Central Europe.

—A key role in British foreign policy is played by the fact that it has its own nuclear forces.

—The economic factor exerts no small influence on the formulation of military policy and the development of the armed forces. The main question in adopting many programs is the search for funds to meet the demands of the command element of the air force, navy and army and the distribution of defense ministry allocations.

—The arms reduction process has had an increased impact on British politics of late. Conservative leaders are forced to consider this process in their plans even if from their point of view an "effective defense" has been and continues to be the most reliable basis for security.

In the long historical perspective, the weakening of Great Britain's foreign political and military-political positions in the world is a real process that is recognized by the British leaders themselves. Contrary to their desires, they frequently take a defensive position. They have to react rather than influence the most important changes in international relations, including changes in the security sphere. But on these grounds, it would be wrong to reduce British policy in this sphere solely to reacting to actual or imaginary threats. In the last decade, the incumbent Conservatives have made numerous efforts to increase and intensify the nation's role in the military-political area, emphasizing the strengthening of NATO and ties with the USA.

Practically all of Britain's armed forces are oriented toward the fulfillment of the alliance's goals in Europe and are assigned to European, Atlantic commands and to the NATO English Channel command. Britain is the "only European participant in the alliance that contributes to all components of the triad of NATO forces: strategic, tactical, and conventional weapons."²

The evaluation by British political leaders and military of the nature of what they consider to be the basic threat to the nation's security, specifically, "the Soviet threat," depends in large measure on the state of relations with the Soviet Union, on London's perception of Soviet domestic, foreign and defense policy. The deterioration of the situation in the early '80s, and conversely, positive changes in relations between member nations of NATO and the Warsaw Treaty Organization of late unquestionably influenced the British government's approach. Nevertheless, a unique feature of the conservatives' line in the past and at the present is their invariable dedication to the fundamental postulate that the only "reliable defense system is the strongest base on which good relations can be build between East and West. Official declarations are repeated emphasized that only the "constant vigilance" of NATO members and their willingness to bolster their military might have kept the peace the last 40-plus years.³ The defense ministry's white paper for 1988 welcomed the reforms taking place in the Soviet Union: "We have no reason to believe that the Soviet

leaders want war in Europe." But it demanded "incontrovertible evidence that the new thinking represents a real, long-term change in Soviet policy and that it is not merely a new approach to old problems."⁴

During M. S. Gorbachev's visit to Great Britain in April 1989, M. Thatcher in her speech at Guildhall noted that democratic reforms in the Soviet Union were bringing the two countries closer together. The government she heads is also trying to reduce barriers in Europe and "prefers to resolve international problems through negotiation rather than armed force and violence." In the words of M. Thatcher, in order that everyone feel safe in our common European home, we must strive to eliminate the growth of military power and gradually make the transition to defense that is sufficient only "for sovereignty and security."⁵ But British leaders continue to regard the Soviet Union's superiority in conventional weapons and the lack of sufficient trust between Warsaw Treaty Organization and NATO member nations to be the main obstacle on this road.

There is no shortage of official pronouncements and works by experts containing vast quantitative data on the Soviet armed forces and their ratio to NATO countries' forces. The leaders of the conservatives and specialists who share their view on this question draw chiefly on American information. A joint declaration of the North Atlantic allies on 23 November 1988 became the most detailed of the publicized NATO documents in recent years concerning quantitative comparisons of armed forces and armaments of the two military-political alliances in Europe. A detailed analysis of this ratio was also presented in the ministry of defense white paper for 1988. According to the figures cited in these documents, the Soviet Union and other Warsaw Treat Organization countries are appreciably superior to NATO in Europe in practical all indicators of military might with the exception of bomber planes and naval forces.⁶

In a declaration in parliament on 8 December 1988, M. Thatcher called the decision on the unilateral reduction of Soviet armed forces "an important step in the direction of a better correlation of forces in Europe, considering the present overwhelming superiority of the Soviet Union." After all, according to the data cited by her, even after this reduction a "major imbalance will remain" and significant negotiating efforts will be required to eliminate it.⁷ Speaking at the opening of negotiations in Vienna in March 1989, Foreign Secretary G. Howe stated that even after these unilateral measures, the Soviet Union would have more than half of the tanks and artillery pieces in Europe at its disposal and that the WTO would continue to be significantly superior to NATO.⁸

But another point of view, which presupposes the existence of rough parity between NATO and the WTO in Europe has been developing in Britain of late in addition to the official approach to the problem of the correlation of forces. The work of scholars at a number of British

universities published in 1988 under the title "Alternative Defense Policy," concluded that government documents were obviously exaggerating the superiority of armed forces of the Soviet Union and other WTO countries. If one takes into account as the quality of weapons systems, the level of combat training, troop mobility, and the degree of reliability of allies, statements about "significant superiority" prove to be unfounded. "Thus, the WTO's quantitative superiority is slight. NATO has quite a strong defense. From this it clearly follows that the WTO will find it extremely difficult to undertake the successful invasion of the West."⁹

Such an approach is characteristic of many representatives of the leadership of the Labor Party and military-policy specialists close to them. It found most complete expression in a work published in early 1989 by a group of advisers to leading Labor Party parliamentarians. The initiator of the group was "shadow defense minister" M. O'Neil. It emphasized that there had been profound changes in Soviet foreign and defense policy vis-a-vis the West. The transition to the doctrine of "rational sufficiency," confirmed by the reorientation of the Soviet armed forces toward defensive tasks and by the unilateral reduction of Soviet forces, becomes a decisive factor in the formulation of British military policy and especially in assessing the "Soviet threat." Labor Party experts, citing data of the International Strategic Research Institute in London, note the quantitative superiority of the WTO in land forces, especially in tanks, artillery, and antiair defense fighters, while NATO at the same time was superior in antitank rockets, helicopters, attack aircraft, and naval forces. Taking into account the higher quality of the weapons and equipment of NATO armies and Soviet troop reductions, they call the thesis of the Conservative government and the NATO command element and of the "Soviet superiority" in Europe "very doubtful."¹⁰

These differences in assessments of the correlation between NATO and WTO armed forces in Europe are having a substantial influence on the positions of the Conservatives and the Labor Party on NATO strategy in general and British military doctrine in particular.

Nuclear Strategy and the British Armed Forces

From the point of view of the British government, progress in arms reduction must not in any measure lead to NATO's renunciation of the strategy of "flexible response." "In the foreseeable future, only nuclear weapons will be able to withstand the potential aggressor... Effective conventional forces will remain an important element of this strategy but they, even if they are quite powerful, will be unable to act as a deterrent in themselves."¹¹

After the conclusion of the Soviet-American Treaty on Eliminating Medium and Shorter Range Missiles (INF Treaty), the principal tasks for the next few years are

proclaimed to be the modernization of NATO's short-range nuclear weapons, especially their replacement by the more sophisticated Lance system of tactical missiles supplied to British ground forces in Central Europe, general "compensation" for American medium and shorter range missiles that are being eliminated because of the deployment of new nuclear weapons and the increased effectiveness of the armed forces of Great Britain and its allies. In mid-1988, leaders of the defense ministry reported in parliament that they had studied the possibility of acquiring missiles for the air force and plans to increase the number of F-111 aircraft at American bases in Great Britain. In their opinion, there is no alternative to deterrence "based on the combination of adequate and effective nuclear forces that can be modernized in case of necessity...."¹²

The conservative government also views the significance of Britain's strategic forces in this context. But if, in the process of discussing the role of American nuclear arms in NATO strategy, government representatives and British military specialists can refer to statements by the alliance's command element, they reveal the direct role of British nuclear forces only in very general terms.

Government documents indicate that British nuclear forces have "the minimum capacity required to maintain effective deterrents." Like the present four atomic submarines with Polaris missiles with AZTK [English tactical warhead systems], the four new submarines with Trident D5 missiles will have British warheads and "will be under the constant control of the British government."¹³

The definition of the conditions of employment of British nuclear forces in British military doctrine has most substantive significance. Defense ministry leaders categorically refused to discuss this question, saying that it might lead to the reduced effectiveness of deterrence. In works by specialists close to the Conservative leadership, for example, the works by J. P. Wilkinson, former deputy chairman of the Conservative Party's defense committee, and M. Chichester, an expert on naval forces, the traditional version that was advanced in official circles in the years when the present generation of British nuclear weapons was being created is now being developed. "Even though British strategic nuclear deterrence weapons are not fully autonomous and under normal conditions are attached to the Supreme Commander-in-Chief of NATO Armed Forces in Europe, the government of the United Kingdom reserves the right to use its strategic forces itself if the sovereignty, independence, liberty, and national security of Great Britain and its people are placed under a threat that cannot be eliminated within the context of collective security obligations in the North Atlantic Alliance. In the opinion of J. Wilkinson and M. Chichester, the preservation of an independent nuclear decision-making center in the United Kingdom increases the general reliability of deterrence.

To NATO it is very desirable that there "exist an additional element of uncertainty in a potential aggressor's calculations regarding the response to his actions by the Western alliance," including Great Britain and France. Finally, the threat of the independent use of British nuclear forces "strengthens the reliability of the American nuclear guarantee of Western Europe" since in the event this threat is realized, the United States will in one way or another be forced into nuclear aggression and will not be able to stand aside.¹⁴

"Britain 1989. An Official Handbook" also focuses attention primarily on the fact that the possession of own strategic forces ensures the existence of a "second, independent decision-making center in the alliance." This guarantees first of all the use of American nuclear forces in Europe.¹⁵

In accordance with government classifications, "the employment of British nuclear weapons will be under the political control of and the ultimate decision will belong exclusively to the prime minister." At the same time, it is noted that such a decision will most likely require consultation with the USA and the NATO command element.¹⁶

Some British specialists question the above-examined substantiations that are designed to create the impression of a painstakingly devised strategic doctrine and its possible implementation. They point first of all to the ambiguity of the subordination of British nuclear forces. According to a study by S. P. Gregory, a researcher at Bradford University's School for the Study of Peace the tasks of British Polaris in NATO, including their targeting are determined together with the American command element and are an integral part of the "European Nuclear Operational Plan," which in time of war must be under the control of the Supreme Commander-In-Chief of NATO Armed Forces in Europe. It also has its own targeting plan in addition to this. As a result, British nuclear forces must "simultaneously serve national interests and NATO."¹⁷

The basic difference may be that from the standpoint of "British interests," the decision to employ British nuclear forces can be justified only if there is a nuclear strike against the nation's territory whereas for the USA it is either generally undesirable, because it sharply raises the level of escalation or it must be subordinated to the execution of the general military plans of the American command element. Since it is specifically the USA that can provide Great Britain with the information required to make this decision, whether British nuclear forces will be effective ultimately depends on the American administration. S. Gregory concludes that Britain's system of command of strategic forces and communications with them hardly corresponds to the conditions of nuclear conflict. As a result, it is necessary to rely on U.S. assistance or to authorize commanders of atomic submarines armed with Polaris missiles to act on their own initiative "under certain circumstances" in order to preserve the effectiveness of deterrence in any situation.

It is consequently impossible to speak about "real political control" over the British nuclear forces and the thesis of the effectiveness of "deterrence" evokes considerable doubt. Because Britain is not capable of "development and deploying a reliable nuclear attack early warning system," it will have to continue to rely exclusively on U.S. assistance.¹⁸

The British command element in Central Europe does not have at its disposal nuclear warheads for Lance missiles and atomic artillery that must be under American control up to the moment of employment. While it is true that British air and naval forces have their own tactical nuclear weapons, even their employment depends in large measure on the NATO command element.

Differences in the evaluation of the role of British nuclear forces to a considerable degree determine the attitude toward their preservation in the future. Leaders of conservative governments and the highest military authorities insist on continuing the program to create the next generation of British nuclear arms. At the same time, the military-technical characteristics of the new system after it has been adopted in the second half of the '90s, will make it possible to increase the survivability of British forces, the range of their missiles, and the precision of their targeting. The conservative government is reporting nothing about the formulation of any plans for the broader orientation of these forces to the performance of tasks associated with striking blows against Soviet defensive objects. Nevertheless, at the end of 1988 the British press reported that the possibility of a "significant change in nuclear strategy" was being examined at the initiative at the initiative of M. Quinlen, permanent deputy minister of defense, "so as to reorient British nuclear forces' traditional targeting of major Soviet cities toward predominantly military objects."¹⁹

Unlike the Conservatives (and the social democrats in recent years), who have spoken out in favor of preserving the key role of "deterrence" in the structure of the British armed forces, since the beginning of the '80s, the Labor Party has insisted on the elimination of Britain's nuclear weapons, considering them expensive, ineffective, and incapable of making the nation secure. Labor Party documents on defense problems express doubt that the "flexible response" strategy corresponds to Britain's security interests. Its implementation by NATO leads to the growth of nuclear arms and is an obstacle to the development of general forces [*sily obshchego naznacheniya*]. It is in Britain's interest "to take the first tangible step in the direction of adopting a non-nuclear defensive strategy," by canceling the program for making the transition to the Trident system, by dropping the Polaris, and by removing all American nuclear weapons from the nation's territory. The Labor Party rejects accusations that these measures will make Britain more vulnerable to "nuclear blackmail" and will undermine NATO.²⁰

Nevertheless, it is not clear how far the Labor Party will be able to go along this road if it comes to power in the early '90s. It is probable that the Labor Party's leadership will either have to revise its basic principles or face a serious conflict with allies.²¹ Leftists in the Labor Party criticize the leadership for its insufficiently consistent rejection of NATO strategy and its inability to promote a detailed plan for building down Britain's nuclear forces. In 1988 a number of works by specialists at British university centers concluded that it was the intention of the Labor Party's leaders to renounce unilateral disarmament obligations and to link them to the course of Soviet-American nuclear arms reduction talks.²²

A special survey published in early 1989 for the purpose of clarifying the Labor Party's approach to the given problem noted that the decision to withdraw American nuclear arms from British territory requires preliminary negotiations with the USA and other NATO allies. But as regards British nuclear forces, they "remain under the total control of the British government" and are not integrated into NATO, but are merely attached to the command element in peacetime. Their down-building, which is unquestionably of significance to the USA and the alliance as a whole, nevertheless can be carried out as an independent decision²³.

The Conservative government considers its basic tasks, in addition to preserving and modernizing Britain's nuclear forces, to be the "defense of Britain, Western Europe, and the Northeast Atlantic." The British fleet is called upon to "protect the sea lanes in the Atlantic, to conduct operations in the Sea of Norway and to ensure the security of strategic forces in seas that wash England. The British Rhine Army and air force units in the Federal Republic of Germany are regarded as an extremely important military and political "contribution to the forward defenses of NATO." No little attention is also devoted to the armed forces in Britain itself, which are suppose to care for the "direct defense of the islands."²⁴

In the '80s there was a dispute within the ministry of defense between representatives of command elements of the various armed forces as to which of the two roles—marine or continental—should be considered most important. In 1981 the leadership of the ministry of defense, headed by J. Knott, attempted to economize by reducing the number of ships in the British fleet. The attempt met with the resistance of the "navy lobby" which subsequently bolstered its position based on the results of the employment of the fleet in the South Atlantic. From the point of view of these circles, basic efforts should be concentrated on defending sea lanes and emphasis should be placed on Britain's performance of its more suitable and traditional role within NATO.

Admiral W. Stavely, first lord of the Admiralty and naval chief of staff, noted that "in any future conflict, we shall have to try to secure maximum control of the seas" in order to ensure the reliability of communications and

to bring in reinforcements, primarily to Northern Norway. In that admiral's estimate, the threat to British security is not only from the East but is also from the North as a result of the growth of the Soviet fleet and its potential for major operations in the Northeastern Atlantic.²⁵

This priority is supported by Admiral G. Eberly, who is currently the director of the Royal International Relations Institute. In his opinion, the interests of British security "demand that the main priority belong to the Northern flank" and to the naval potential.²⁶

But officially, this task should not conflict with the continued participation of British ground and air forces "in the defense of the European continent."²⁷ Also concurring with this thesis are representatives of the "navy lobby," including Admiral W. Stavely, in whose opinion the "contrasting of marine and continental strategies distorts the essence of the problem for Britain. They are not alternatives."²⁸

The position of the Labor Party leadership in this dispute about priorities has not been defined with sufficient precision. The pre-election manifesto of 1987 contained the promise to simultaneously support the levels of the British fleet and the Rhine Army, the tasks of which were to be modified in accordance with the concept of "non-provocative, non-offensive defense."²⁹

The constant struggle over military spending and military allocations has a decisive impact on London's resolution of problems connected with the level of the armed forces, their mission, their structure, and modernization programs. During the years the Conservative government has been in power, it has succeeded in increasing this spending from a little over 8 billion pounds sterling in the 1979/80 fiscal year to 20.1 billion pounds sterling in the 1989/90 fiscal year. Even when inflation is taken into account, there has been a real increase in ministry of defense allocations of 20 percent as a whole at least up to the year 1986.

Defense ministry representatives emphasize that Britain's military budgets in the second half of the current decade have almost not increased and that all additional funds have to come from the private economy through the introduction of a more commercial approach to arms supply and from cooperation with NATO allies. As a result, as Britain's armed forces continue to perform their basic tasks and as the rearmament program is continued, the ministry of defense will have to make some "difficult decisions" and try to use available resources as effectively as possible.

K. Kouker, the author of a number of works on British military policy, considers the rising costs of maintaining the armed forces and of producing new weapons in the '80s the main reason why Britain's policy must be brought into line with its diminishing potential. It is becoming increasingly difficult to expand purchases of arms and equipment. The usual result is a decision to reduce the size of these purchases or to make them over

a longer period of time. Even though allocations to the ministry of defense have risen during the decade the conservatives have been in office, the quantity of many basic systems, for example, naval vessels and air force aircraft has decreased. But there are limits to such lowering of levels and if it continues, the structure of the British armed forces will be disrupted in the near future and they will simply be unable to perform the tasks entrusted to them.

These problems are not fully taken into account by the government which is trying to avoid making significant changes and to postpone difficult decisions to the future. The plan that is presently being devised by the leadership of the Labor Party for bolstering national security by strengthening the general armed forces [*vooruzhennyye sily obshchego naznacheniya*] may prove to be very costly. If the major rearmament programs are continued, allocations for military needs may grow by more than three percent a year.

M. Chalmers, who is affiliated with Bradford University's School for the Study of Peace, reaches similar estimates. To be sure, according to his calculations the actual increase in military spending between 1979 and 1986 was 29 percent and even higher in individual directions. In subsequent years, the Conservative government was indeed compelled to restrict this spending. As a result, there may be a significant reduction in allocations for the purchase of conventional arms and equipment if the program of creating the next generation of Britain's strategic forces is continued.

Great Britain and the Problem of Reducing Nuclear and Conventional Arms

The priority given to military-political tasks in Conservative government policy and the attempt to maintain and even raise the level of British military might predetermined to considerable degree the attitude toward arms control and disarmament. Notwithstanding positive changes that have taken place in Europe of late, conservative leaders do not see grounds for substantially revising their existing approach to security.

The course of Soviet-American negotiations on reducing strategic weapons and the prospects for disarmament in Europe are viewed from these positions.

Official declarations have repeatedly expressed support for the efforts of the Soviet Union and United States to reduce strategic weapons. But the conservative government does not believe that the time has come for Great Britain to join in these efforts and categorically rejects any restrictions on the program for creating the next generation of British strategic forces.

The defense ministry's White Paper for 1988 contained the promise "to study the question of how to make our best contribution to arms control in the light of the diminishing danger." But reductions of Soviet and American strategic forces "must be much greater than

half before we can view the possibility of including the British deterrence [*sderzhivayushcheye sredstvo*] in arms control talks."³⁰

The Conservative government attributes the Soviet-American INF Treaty to the "political wisdom, realism and unity" of NATO allies who in their policy combined arms deployment with arms control. But the further reduction of nuclear arms in Europe is made difficult by the continuing "significant superiority" of the Soviet Union in conventional and chemical weapons. "The government of the United Kingdom therefore believes that there should be no negotiations about new reductions of nuclear weapons in Europe until the imbalances in general armed forces have been eliminated and agreement on prohibiting chemical weapons has been reached."³¹

Recommendations for the future in the report of the parliamentary committee on foreign policy entitled "The Political Influence of the Arms Control and Disarmament Process" were in large measure formulated on the basis of this official approach. The INF Treaty was called an "important precedent" which, however, should not result in the "disunification" of NATO and repudiation of the "flexible response" strategy. There should be resolute opposition to "doubts concerning the need to modernize or replace NATO's short-range nuclear weapons..." that appeared after its conclusion.³²

The conservative government has spoken repeatedly in favor of such modernization and has tried to influence other West European allies. Thus, in particular, W. Walgrave, under secretary for foreign affairs, declared in Parliament on 28 July 1988 that "NATO is unified in its rejection of the zero solution on short-range nuclear forces." Responding to questions in Parliament on 29 November 1988, representatives of the ministry of defense reported that the beginning of negotiations on short-range nuclear weapon systems should not be expected. This position was criticized by leaders of the Labor Party who insisted on the postponement of modernization and on the earliest possible negotiations with the Soviet Union on the reduction of systems in this class.

In the middle of 1989, a government document indicated the need to retain a certain quantity of such weapons in the NATO arsenal. While hailing the Soviet Union's decision to withdraw 500 nuclear weapons [*boyezaryady*] and warheads from Eastern Europe, the British government again noted the continuing superiority of Soviet armed forces in nuclear short-range weapons and called for their further reduction on a unilateral basis.

The Conservatives' approach to conventional arms reduction in Europe does not differ in any appreciable way from the general NATO position. The basic goal is said to be "to establish a stable, safe, and verifiable level of armed forces all throughout Europe from the Atlantic to the Urals, which would make it possible to eliminate

inequality, to reduce the capacity for surprise attack and large-scale offensive operations." The attainment of agreement is hindered primarily by the superiority of the Warsaw Treaty Organization vis-a-vis NATO.³⁴

Speaking at the opening of the Vienna talks, G. Howe, British secretary for foreign affairs, noted that the elimination of imbalances in conventional weapons requires the strengthening of trust both between the Warsaw Treaty Organization and within the alliances at all levels. The goal of the talks is to create conditions "in which no country or a group of countries will be able to threaten or exert pressure through military force." It is necessary first of all to strive for significant reductions of those weapons that could be used for a surprise attack and to make the transition to "the less threatening deployment of armed forces." At the same time, G. Howe rejected the idea of establishing zones of reduced military activity in Central Europe since this would lead to different degrees of security for various NATO allies.

Members of the Labor Party advanced an arms reduction and disarmament program on the basis of their ideas of Britain's tasks in the military-political area and in achieving security.

From their point of view, considering positive changes in NATO and WTO relations, disarmament efforts must play a larger part in British politics. In December 1988, N. Kinnock and other leaders of the Labor Party called upon the government to make a positive response to the Soviet initiatives and to consider the possibility of Great Britain's basing its defense on the concept of sufficiency.

A work by Labor Party experts published in early 1989 notes the reduced instability and tension between East and West and substantial progress in disarmament. Economic and political factors are responsible for the increased attention of the Soviet Union and the United States to the possibility of arms reduction. Under these conditions, NATO allies must first of all abandon plans for modernizing short-range nuclear weapons systems that essentially if not formally contradict the INF Treaty.

Stability in armed forces and arms in Europe can be secured by reorganizing forces in accordance with the tasks of defense and the gradual lowering of their levels. The realization of all these measures and the resolution of the question of the future of British nuclear forces are possible through multilateral negotiations as well as on a unilateral basis. "The Labor Party must make maximum use of the effect of independent actions and strive to obtain reciprocal reductions from other countries." Great Britain's renunciation of nuclear weapons will not halt the nuclear arms race. Its contribution to this effort will be much more in the context of "international arms control."³⁵

In the event the Labor Party comes to power in the early '90s, it promises to short-range nuclear weapons systems between NATO and the Warsaw Treaty Organization, to

agree to have British nuclear forces included in Soviet-American negotiations, or to discuss the possibility of the "responsive reduction" of Soviet forces directly with the Soviet Union.

In the decade the conservatives have been in office, British military policy, which is conducted in accordance with the foreign political and strategic principles of the Tories has acquired its own internal dynamics and has become a most important component of British foreign policy. Its importance is especially great in the sphere of interrelations of countries belonging to the two systems. Notwithstanding positive changes in this area and a certain increase in the British government's attention to arms reduction and disarmament, the preservation of military confrontation remains a priority for the conservatives. This predetermines the country's active participation in NATO, the strengthening of bilateral nuclear cooperation with the USA, and the implementation of various military programs. At the same time, Britain's potential to continue to act in this direction is limited largely by economic factors. The continued development of positive processes in relations between WTO and NATO countries and especially the further reduction of nuclear arms by the USSR and USA could have an appreciable restraining influence.

Radical changes in military policy proposed primarily by the Labor Party can become a reality only under certain conditions, including the relaxation of international tensions, the intensification of the disarmament process in the early '90s, and the Labor Party's winning the voters over to its side, in particular, by putting forth a well-conceived, substantiated program of transition to "non-offensive, non-provocative, defense." As long as Labor Party experts on military problems are the only ones thinking about an alternative to present military policy, it is quite difficult to expect qualitative change in most Britshers' thinking about avenues of national security. Nor should one underestimate the inertia of implementation of military policy and the complexity of building down and terminating long-term, costly programs. Nevertheless, if the conditions noted above—the continuation of disarmament in Europe and the victory of the Labor Party in the next elections—are fulfilled, the reexamination of the role of nuclear weapons in British policy is entirely possible.

Footnotes

1. "Statement on the Defence Estimates 1988," Vol 1, London, 1988, p 4.
2. Ibid., p 4.
3. SURVEY OF CURRENT AFFAIRS, London, 1988, Vol 18, No 3, pp 95, 102.
4. "Statement on the Defence Estimates 1988," p 2.
5. SURVEY OF CURRENT AFFAIRS, "London, 1989, Vol 19, No 4, p 129.

6. "Statement on the Defence Estimates 1988," pp 57-59, 61-64.
7. "House of Commons. Parliamentary Debates," Vol 142, London, 1988, Col 430.
8. SURVEY OF CURRENT AFFAIRS, "London, 1989, Vol 19, No 3, p 91.
9. "Alternative Defence Policy," London, etc., 1988, p 49.
10. "Working for Common Security," London, 1989, pp 4, 9.
11. "Statement on the Defence Estimates 1988," p 2.
12. ADIU REPORT, "Vol 10, No 4, 1988, pp 7, 9.
13. "Statement on the Defence Estimates 1988," p 14. 40.
14. M. Chichester, J. Wilkinson, "British Defence: A Blueprint for Reform," London, 1987, p 40.
15. "Britain 1989. An Official Handbook," London, 1989, p 101.
16. S. Gregory, "The Command and Control of British Nuclear Weapons," Bradford, 1986, p 17.
17. Ibid., p 69.
18. Ibid., pp 84, 88, 1 14.
19. M. Urban, "Architect of the Flexible Response" (THE INDEPENDENT, 20 October 1988, pp 4, 25).
20. "British Security Policy and the Atlantic Alliance: Prospects for the 1990s," Washington, etc., 1987, p 5.
21. Ibid., pp 6-9.
22. "Alternative Defense Policy," pp 82-83.
23. "Working for Common Security," p 15.
24. "Statement on the Defence Estimates 1988," pp 18-19.
25. "Britain and NATO's Northern Flank," Basingstoke and London, 1988, pp 78-79.
26. Ibid., p 174.
27. "Statement on the Defence Estimates 1988," p 18.
28. "Britain and NATO's Northern Flank," p 81.
29. "Alternative Defense Policy," pp 86-87.
30. "Statement on the Defence Estimates 1988," p 14.
31. Ibid., p 14.
32. ADIU REPORT, Vol 10, No 4, 1988, p 12.
33. Ibid., p 7.

34. "Statement on the Defence Estimates 1988," p 11.
35. "Working for Common Security," pp 14-15.

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British Conservatives See Possible Limited Nuclear War in Europe

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[Article by Boris Yefimovich Messiya, candidate of historical sciences; USSR Academy of Sciences IMEMO scientific associate: "The Conservatives and the Limitation of Nuclear and Space Weapons"]

[Text] The next item on the agenda after the conclusion of the INF Treaty between the USSR and USA is the agreement on a 50-percent reduction of strategic offensive arms in its continuous interrelationship with the observance of the ABM Treaty of 1972. And even though the nuclear-space weapons talks are bilateral, their success will depend in large measure on the position of other nuclear powers, not least of which is Great Britain—the USA's closest NATO ally.

In their approach to the limitation and reduction of nuclear arms, Great Britain's ruling circles are guided by the same political interests that determine British military policy in general and, what is more, priority is given to preserving the inviolability of their nuclear arsenal which, in the point of view of the British ruling circles, makes it possible for Great Britain to hope for a certain measure of compensation for the loss of its former grandeur and to lay claim to the role of a West European NATO leader capable of influencing the USA.

London's significant dependence on the USA in the nuclear area predetermines its attempt to preserve the "special relationship" with Washington that has for many years enabled it to modernize and maintain its strategic nuclear weapons at the proper level. The explanation for this is that London's position of nuclear-space weapons is largely similar to that of Washington.

The ruling circles are guided by stubbornly defended principles that have been developed at the government level. Unquestionably central among them is the idea of the basic "usefulness" of nuclear weapons not only for Great Britain's security, but also for preventing war in Europe and worldwide nuclear catastrophe. This, in particular, is the basis for the negative attitude toward the very prospect of the total liberation of Europe and the world from nuclear weapons. Such a position by British leaders will enable them to continue to augment their nuclear power and to evade direct participation in negotiations and agreements that might in some degree limit Great Britain's nuclear potential.

It is not without interest to note that at a time, the justification for the creation [*sozdaniye*] of Britain's nuclear forces was that it supposedly provided a unique opportunity for [Britain's] participation in nuclear arms reduction talks and for it to influence the arms control process. And if Great Britain's role in the formulation of the treaty on the partial prohibition of nuclear testing was quite great and was much more significant in the preparation of the agreement on the total prohibition of nuclear testing, its attitude toward concluding the INF Treaty was ambiguous and in part openly negative.

While observing "Atlantic loyalty," British ruling circles do not forget their own specific military-political interests that are reflected in Great Britain's approach to certain specific aspects of the limitation of nuclear-space weapons. This is manifested, for example, in its attitude toward SDI and associated problems of ABM defense and the use of outer space for military purposes. On the one hand, the Thatcher government supports SDI (especially its scientific research component) and approves of the participation of British scientists and firms in American projects while on the other hand showing a certain degree of apprehension regarding its possible military-strategic consequences. Fears in connection with the possible relaxation of U.S. nuclear guarantees to Western Europe in the event of the deployment of SDI, of a period of "instability" and danger for Western Europe during the period of implementation of the American plan for outer space, of the radical reexamination of NATO's entire military doctrine, etc., accord with the declarations of many West European leaders and reflect their common mood. The British government insists that U.S. work on ABM systems be within the framework of negotiations with the USSR and has made its support of SDI research contingent upon this condition. Fearing that the implementation of the American plan might have a destabilizing effect on relations between the USA and USSR, which is not a matter of indifference to European security, London proposed—as a step toward creating an atmosphere of trust—compiling a schedule of research planned by both sides, reinforced by the obligation to continue to observe the ABM Treaty for the agreed-upon period of time. This proposal by M. Thatcher was further developed in a letter to President Reagan on the eve of his meeting with M. S. Gorbachev in Washington, where there was discussion of the need to coordinate research schedules for SDI so that "neither side would think that the other was trying to gain superiority."¹ The letter suggested that the parties continue to observe the ABM Treaty of 1972 for a period of 7-10 years.

The attempt by the American government to give an "expanded" interpretation to the ABM Treaty generated a negative response among official circles in Great Britain. G. Younger, erstwhile secretary of state for defense, declared: "we deem it advisable to adhere to a narrow interpretation."² The government expressed obvious dissatisfaction over the visit of P. Nitze and R.

Perle in early 1987 for the purpose of briefing British leaders on the American government's "broad" interpretation of the ABM Treaty.

"The prime minister rejected attempts by the Reagan administration to dictate policy to Great Britain and also warned that London was prepared to refuse to participate in SDI unless consultations were held at the appropriate level," wrote an authoritative journal.³ At the same time, in an effort to in some way attenuate and neutralize contradictions arising with the USA over SDI, London refuses to recognize any connection between strategic arms reduction and the necessity of observing the ABM Treaty.

Such a position is inconsistent especially if one considers the fact that British leaders are constantly emphasizing in their declarations that the inclusion of British forces in the strategic arms reduction process will depend on the preceding reduction of Soviet and American offensive arsenals and the absence of any enhancement of the Soviet ABM system (i.e., the reduction of [Britain's] own strategic weapons is made dependent on the state of the Soviet ABM system).

An even though it is obvious that London no longer performs its usual role in America's space plans as the propagandist and conduit of U.S. military-political initiatives (as, for example, before and after the adoption of NATO's December 1979 decision on the modernization of medium-range nuclear systems), the definite political support it provides for SDI provides every basis for considering that it continues to be one of Washington's staunchest allies and that it does not allow itself to criticize Washington's actions openly even if they are at odds with British interests. Such loyalty is to a considerable degree based on the British government's striving to realize shipments of American Trident-2's to Great Britain under unhindered, preferential terms.

Since the special British-American relationship that once existed is now primarily reduced to cooperation in the nuclear sphere, which is moreover more advantageous to London, its influence on American foreign and military policy has accordingly weakened significantly. Nevertheless, the agreement⁴ reached in December 1984 between M. Thatcher and R. Reagan on American space programs is evidence that British Conservatives are still able to exert a certain degree of influence on Washington from time to time.

The agreement, which is more than a compromise between two countries (since it largely reflects the interests of the West European ruling circles) limits SDI plans to a certain degree. This shows that Great Britain still has the opportunity to play a role in the nuclear arms control process even without participating directly in them; however it is unlikely that British leaders will succeed in influencing American plans in outer space to an considerable degree.

While approving in principle the potential Soviet-American agreement on a 50-percent reduction of SOA,

London is at the same time definitely negatively disposed toward the prospect of the total elimination of strategic nuclear arms. This position is based primarily on the recognition that Great Britain will in a certain stage have to join in this process and London considers this unacceptable to itself. As already noted, the existence of a strategic nuclear arsenal plays a significant role in defining British military policy and hence its destruction would necessitate the reorientation of military policy and above all the reexamination of the entire structure of British-American relations. In addition to everything else, significant expenditures would be required to augment other types of nuclear weapons: bombers, cruise missiles, etc. The prospects for reducing SOA calls into question the implementation of the agreement to deliver American Trident-2 missiles to London, that should significantly increase the importance of Britain's nuclear forces. Rough calculations of the 50-percent reduction of SOA show that this would mean that Great Britain would have at its disposal power roughly equal to one-third of the American submarine fleet's strategic potential. Such an increase in the share of British submarine nuclear forces compared with American submarine nuclear forces might force the U.S. government to reexamine the British-American Trident agreement or to abolish it altogether. (All the moreso because there have been similar precedents in the history of Anglo-American relations: the adoption of the Macmahon Law in the USA in 1946, as a result of which America-British nuclear cooperation was interrupted, and the Americans' repudiation in 1962 of their obligation to supply Skybolt ballistic missiles to Britain, which were subsequently replaced by the Polaris).

The attempt to avoid if only in the immediate future being included in the SOA reduction process in large measure determines the scale of priorities in arms limitation and interest in concluding agreements on chemical and conventional weapons (after the 50-percent reduction of SOA). The necessity of reducing these types above all is explained by the increased vulnerability of Western Europe to Soviet superiority in chemical and conventional weapons after the elimination of medium- and shorter-range missiles.

What is more, British leaders continue to actively use the thesis of Soviet superiority in conventional weapons in order to justify NATO's retention of nuclear arms in Europe.

At the same time, British defense ministry documents that surfaced not so long ago show that NATO's nuclear arsenal in Europe is not intended to neutralize the Soviet Union's superiority in conventional weapons. In particular, the defense ministry's report to the House of Commons committee on foreign affairs states: "The role of nuclear weapons in a theater of military actions is not to compensate a disparity of conventional forces. The attainment of parity in conventional weapons may have positive consequences for NATO's deterrence strategy. But in itself, it does not eliminate the need for theater nuclear weapons." The real purpose of NATO's nuclear

weapons in Europe is revealed later on: "the basic aim of preserving the possibility of selective use of nuclear theater weapons at a level below the strategic level is political: to demonstrate in advance that NATO has the ability and intention to employ nuclear weapons, while politically controlling them with the aim of restoring deterrence and compelling the aggressor to reach the decision to terminate his aggression and retreat."⁵

Thus, even after the INF Treaty was concluded, the true aims and purpose of NATO's nuclear weapons in Europe remain the same and consist in the possibility of their "selective" employment and ultimately in winning the victory in a "limited nuclear conflict."

Based on the premise of the possibility of waging a limited nuclear war in Europe, London favors the modernization of tactical nuclear arms, as was graphically evidenced at the NATO session in Brussels in 1988. Great Britain, in particular, declared its willingness to accept as many as 60 additional American F-111 nuclear-armed bombers and to carry cruise missiles on submarines or surface vessels within its waters. British specialists P. Rogers now believes that "the accent in being the first to employ nuclear weapons is shifting to air-based nuclear weapons"⁶ and therefore Great Britain will play an even greater role as a NATO base.

British leaders, like the ruling circles in certain other West European countries, fearing negative consequences for the NATO "flexible response" strategy and the lessening of the reliability of American nuclear guarantees, have shown a certain apprehension and have even directly spoken out negatively concerning the elimination of medium-range missiles in Europe. Doing its utmost to prevent the conclusion of an agreement on medium-range missiles, London has declared the need to eliminate inequality in short-range missiles [RMD] and was thinking of giving the West the possibility of augmenting these types of arms and not a reduction by both sides.

The reluctance of London as well as Paris to support agreements on the elimination of medium-range missiles from Europe has also found expression in quite particular discussions, especially in 1987, concerning the possibility of a "European nuclear deterrence" that should replace medium-range missiles after the signing of the Soviet-American agreement. For example, speaking at the Royal Institute of International Relations in Brussels in March 1987, G. Howe, erstwhile secretary for foreign affairs, declared that it was time for Western Europe to concern itself with its own "nuclear future." Even though such ideas, as it appears, did not have a real basis, they nevertheless pursued the goal of demonstrating to the USA the disinterest of its allies in concluding medium-range missile agreements.

British leaders were also very restrained toward Soviet proposals on the "dual zero variant," i.e., on the elimination of medium- and short-range missiles and refrained from making any official pronouncements on

that score. The position of the conservatives subsequently changed however. In May 1987, the London TIMES was already stating that Great Britain had become the first West European country to agree with the "dual zero variant." This decision was made by the British government with some qualification. The prime minister declared that she preferred a joint agreement with the Soviet Union that would embrace all aspects of security. But why did the British government change its position?

First of all, in order to avoid disagreement with its main NATO ally which was interested in concluding this agreement. Second, to a certain degree the British leaders felt themselves bound by past pronouncements in support of the "zero variant." Third, the Conservatives, not wishing to set the public and representatives of the anti-nuclear movement against them on the eve of the June 1987 elections. But the main reason was evidently that the USA in its turn assured its West European allies that their security would continue to be guaranteed by American nuclear systems remaining in Europe as well as by American forces.

London's agreement to the "double zero" evoked the active opposition of Bonn, which insisted the agreement include nuclear weapons with a range less than 500 kilometers. Otherwise, as H. Kohl, FRG chancellor, declared in a "limited nuclear war," his country would be in a most vulnerable position since the greater part of the remaining battlefield systems can be used only on the territory of the FRG. Such disputes were once even regarded as an obstacle in the way of reaching agreement. Disagreement with the FRG was demonstrated with new vigor at the 1988 NATO council session in Brussels where the British prime minister urged the modernization of tactical nuclear weapons.

FRG leaders, to the contrary, spoke out for the postponement of much modernization, for talks on tactical nuclear weapons, and for reducing them to the lowest possible level. Under the pressure of FRG ruling circles, before the May 1989 session of NATO, a decision was made to postpone the question of the modernization of Lance missiles to 1992.

London, with Washington's support, categorically opposes Soviet proposals to eliminate short-range missiles from Europe, declaring that only their partial reduction is possible. At the same time, it is planned that future negotiations on these systems, which can be connected with the attainment and beginning of the implementation of the agreement to reduce conventional arms, will as in the past be conducted from a "position of strength."

The principal reason why the Conservative government is not interested in eliminating short-range missiles is that it accentuates still more the problem of American nuclear guarantees, the reliability of which has long been doubted in British ruling circles, even though there is no declaration of these doubts at the official level. And if

the deployment [*razmeshcheniye*] of medium-range missiles was intended to strengthen the relationship between the European theater of military actions and American strategic forces, the elimination or even reduction of the remaining tactical nuclear weapons in London's opinion (and of certain other West European governments) will significantly weaken or even destroy strategic ties between the USA and Western Europe.

The publication of a report on "Selective Deterrence" by an independent by-partisan commission confirmed the fears existing in London and other West European capitals concerning Washington's intention not to resort to the employment of strategic nuclear forces in the event of a nuclear conflict in Europe. The report in particular discussed the prospect of NATO acquiring the ability to destroy targets in Eastern Europe with small nuclear warheads in response to an attack by conventional means, without provoking the escalation of the conflict on the part of the USSR. Nor did the statement by the U.S. Secretary of Defense in February 1988 that the elimination of tactical nuclear arms would be followed by the withdrawal of American forces from Europe go unnoticed.

The British government's attempt to do its utmost to strengthen the nuclear level of NATO strategy found its expression in the decision to modernize tactical nuclear weapons in service with the British Army of the Rhine. W-82 nuclear charges will be replaced by charges 20 times more powerful.

It should be noted that, in addition to everything else, the reluctance of British Conservatives to agree to the further reduction of nuclear weapons in Europe is directly connected with the awareness of the fact that the growth and improvement of conventional weapons (in the event there is no agreement of their reduction), in which, in the opinion of the ruling circles, the West lags behind the USSR, will require considerable expenditures by it and its NATO allies.

London is already faced with the dilemma of further reductions and of postponing certain arms production programs. The question of the priority of nuclear deterrence is not only a strategic questions but is to an even degree a question of economics.

London realizes that radical change in strategy in the direction of strengthening conventional weapons may provoke heated debate about sharing the financial "burden" between allies and may lead to the undesirable intensification of already existing debates.

* * *

The orientation toward the major NATO ally and the attempt at the same time to observe their own specific interests are responsible for the ambiguous and occasionally contradictory approach of the British conservatives to the reduction of nuclear arms and to the implementation of America's space plans. At the same time, notwithstanding the absence of a British delegation at

the negotiating table, their position has had and will unquestionably continue to have a definite influence on the limitation of nuclear and space weapons. Of course, London could play a more constructive role in reducing SOA, for example, by deciding not to increase the number of warheads on American Trident-2 missiles delivered to it. And even though the conclusion of a treaty on the 50-percent reduction of SOA may raise the question of counting Great Britain's nuclear forces in future agreements, it appears that the British conservatives will do everything possible to join in the nuclear reduction process at the latest possible stage.

Footnotes

1. OBSERVER, 6 December 1987.
2. THE TIMES, 17 February 1987.
3. ARMED FORCES JOURNAL, June 1987, p 48.
4. The following principles are formulated in it:
 - the goal of the West is not to attain superiority, but to maintain parity with the USSR;
 - the question of deploying weapons in outer space must be resolved through negotiations between the USSR and USA;
 - the ultimate goal of the program must be to strengthen deterrence;
 - negotiations must be oriented toward attaining security at lower levels of offensive systems on both sides.

5. Quoted in: NEW STATESMAN, 24 June 1988, p 18.

6. Ibid.

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Reorientation of the Thinking of West German Liberals

904M0012H Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 5, May 90 (signed to press 16 Apr 90) pp 116-122

[Article by Dmitriy Vladimirovich Gudimenko, USSR Academy of Sciences IMEMO Junior Scientific Associate: "The FRG: 'The Crisis of Progress' and the 'Change of Topics' (On the Question of the Reorientation of Liberal Thought")]

[Text] In the Federal Republic of Germany, as in the West in general, since the mid-'70s there has been a fundamental change in the socioeconomic climate, under the influence of which West German intellectuals have been discussing "the turn," "the change in trends," etc. Liberals are also taking an active part in the discussion of the content of this "turn" which, to one degree or

another, has affected all ideological and political currents in the FRG. At the same time, while recognizing the necessity of "changing landmarks" and the justification for forming the CDU/CSU-FDP [Christian Democratic Union/Christian Social Union-Free Democratic Party] coalition headed by H. Kohl, they do not believe—unlike the conservatives—that the direction of social development preceding the autumn of 1982 was entirely incorrect, that the policies of 1969-1982 were fundamentally wrong, or that the present task is to make a 180-degree turn back to the political traditions of Adenauer-Erhard.

While liberals as a rule are positive in evaluating these CDU figures as people who have discerned the Zeitgeist and have made the nation's rapid recovery possible after World War II, they nevertheless do not share the conservative view that it is possible and desirable to revive the conservative-restorative political methods of the '50s and '60s. Progressive liberals consider such views to be antihistorical and absolutely unacceptable. Consequently, liberal theorists have a different understanding of the "turn." They view the "little coalition" as a necessary historical period that was naturally limited in time and that had exhausted its positive potential by 1982.

This point of view also shapes the evaluation of "social" liberalism in the spirit of the FDP's "Freiburg theses" (1971) as being on the whole true and natural for the political strategy of its time, which nevertheless has lost its progressive potential today since the more or less successful reforms of the "little coalition" have greatly altered the situation in the FRG and have created a situation in which the traditional social-liberal postulates can no longer be the core of the liberal program. Thus, for example, demands for the development of the social security system, for the democratization of higher education, for the co-participation of hired workers in enterprise management, etc., acquired a clearly defensive nature in the '80s and, not standing their importance, can no longer play such a progressive role as in the '60s. It is the conviction of liberals that liberalism, being the bearer of progressive ideas, must invariably be the driving force behind policy because it will otherwise lose its meaning and political significance. This view has probably been expressed with the greatest precision in the works of R. Dahrendorf, in whose opinion "social" liberalism has shared the fate of classical liberalism: it has exhausted its potential for further development and must be replaced by "new" or "progressive" liberalism with other content and other tasks.

In this connection, the liberals are confronted with the need to develop new doctrines that take the realities of the end of the 20th century and the search for "new frontiers" into account. They ask themselves: what should the goal of liberalism be in today's highly developed, dynamic, civilized West German society with its strong economy and quite deeply rooted democratic traditions in the mass mind, in which fundamental human rights are respected and the rightlessness of the

working people has been overcome? What kind of conclusions can be drawn from the events of the '70s and '80s in order to formulate a new liberal program that would be equal to the questions that have arisen during this time and that would be attractive to broad strata of the population?

The modern liberal world view in West Germany is characterized by the view that various crisis processes in the '70s and '80s are not the result of temporary fluctuations of political policy, but are a sign of the culmination of a certain period of historical development of bourgeois society and are thus of a global nature. And if there is disagreement as to the time of formation of its current model within the framework of liberal political science (theorists variously date it back to the period between the mid-19th and early 20th century), its crisis, which is usually examined in the context of the so-called "civilization crisis," is quite unequivocally connected with the events of the last 15 years.

Liberals as a rule do not question the value of the positive results of this period of history that is connected with the transition from "wild," "laissez-faire" capitalism to modern "social" capitalism and believe that its attainments (a rule-of-law state, the aggregate of democratic rights and freedoms, the social security system, the high level of well-being of the greater part of the population, etc.) have become an integral element in the modern way of life and must necessarily be preserved despite all changes in the conditions of social development.

Liberal theorists are quite of one mind regarding the content of this phase of social development—the "social democratic era" in the terminology of R. Dahrendorf or "mature capitalism," according to the definition of O. Flechtheim. They view it as a period of gradual but quite consistent forward movement in all spheres of social life resulting, first, from rampant economic expansion and, two from leftist (egalitarian) reformism. At the same time, liberals justly note that the idea of progress (economic, political, social, etc.) in the 20th century became dominant in the public mind and was assimilated by practically all ideological and political currents with the result that they formed a "progressist" consensus. From the liberal point of view, this resulted in the emergence and affirmation of a fundamentally new form of socio-political organization—the so-called "open society" in which the necessary reforms are guaranteed by the system of representative democracy and progress are thereby "built into" the social structure itself.

The shocks of the '70s and early '80s provided serious grounds for speaking of the "crisis of progress" (strictly speaking, not progress in general but progress in its traditional—above all, economic—understanding). The conclusion drawn by K. Sontheimer and a number of other authors that not only economic but the spiritual and cultural conditions of the political process had

changed in the '70s is of interest in this regard. Liberals in the FRG link these changes primarily to the two following circumstances.

First, to the fact that West German society is both institutionally and psychologically "growth-oriented" since the FRG formed under conditions of unprecedented growth of production and consumption. This problem is unquestionably exacerbated by the fact that generations have already grown up that have not known the need of the wartime and postwar period and that take the high, constantly rising living standard for granted. The puritanical traditions of self-restraint are alien to representatives of these generations that make up the greater part of the FRG's population. At the same time, since rapid economic growth in the '50s and '60s caused a real "revolution of expectations and needs," change in the economic climate in the '70s and '80s led to negative change in the public mood since, as G. Verheugen correctly notes, "the symbols of material status today determine the position that a person occupies or would like to occupy in society"¹ and bringing expectations (which are largely unduly high) into line with real potentialities is a very painful process that is accompanied by growing pessimism and frustration. Liberal political scientists believed that the "crisis mentality," that is based on man's uncertainty about the future and his fear of possible loss of social status or of a lowering of his existing standard of living, his resulting in a fear of what is new (neophobia, "to use O. Flechtheim's term) and is thus capable of acquiring an antiprogressive (and equally, an antidemocratic) orientation.

It must be noted that, strictly speaking, FRG liberal thought itself, many representatives of which have begun speaking out at the top of their voice about the total "megacrisis" threatening both West Germany and all human civilization, has been subjected to the "crisis mentality." There are many signs that the liberals' fears are not without foundation. The disastrous state of the environment is unquestionably one of them. Nevertheless, the liberals are generally inclined to dramatize the actual problems. Works by R. Dahrendorf, O. Flechtheim, K. Sontheimer, G. Wittkemper, and others paint a gloomy picture of the world on the verge of catastrophe (collapse), of society with undermined democracy, of an all-powerful bureaucracy, and an all-seeing totalitarian state a la G. Orwell. Liberal political scientists and sociologists are literally trying to outdo one another in their enumeration of various crises threatening Western society. They talk about the crisis of economic growth, state regulation, democracy, morality, culture, the demographic crisis, etc.

A number of liberals (K. Sontheimer, G. Wittkemper, H. Klages, H. Lutz, T. Guldman, and others) connect the second aspect of change with the "silent revolution" in the '70s and '80s due to society's "breakthrough" to so-called postmaterial values. In their opinion, in the last 1.5-2 decades, the higher standard of living and the higher educational and cultural level of the population at large have produced a "new rationalism"—a healthy

skepticism concerning the value of the traditional goals of human activity that are connected to one degree or another with the satisfaction of life's elementary needs; the "one-dimensionality" of man's ideals, his actions, wishes, and aspirations has been eroded. In this connection, liberal theorists point to the progressive decline in the life of many people of the role of traditional values that were previously considered necessary for the normal functioning of the social system (such as labor, productivity, diligence, thrift, order, discipline, career, etc.) and their elimination by new value orientations connected with creativity, self-knowledge, quality of life, solidarity, closeness to nature, participation in the decision-making process, etc. K. Sontheimer points to the decline of the authority of "official" values and to the growing confrontation with them and equally with the entire way of life that is characteristic of a highly technicized civilization and states: "...there is a decline in the number of those who internally identify themselves with our industrial society, its values, institutions, attainments, and forms of communication; conversely, there is an increase in the number of those who feel themselves "uneasy" in our industrial society: uneasy as a citizen in a corporate democracy that is manipulated by parties and functionaries; uneasy among rationalized processes and under the disciplining pressure of modern production; uneasy among all the new technological designs and innovations; an increasing number of people are deeply concerned over whether the technological, economic and social progress that is still talked about can result in real progress in the quality of life both for all society and for the individual."²

Such a situation inevitably made it necessary for the liberals to reexamine their traditional views of progress and to "reassess their values" accordingly. Therefore, in today's liberal circles in the FRG, it is quite widely believed that in the '70s and '80s, as a result of West Germany society's attainment of quite a high level of material-wellbeing and the impossibility of raising it at the previous rate, there has been a "change of topics" of social development: from rampant economic expansion to "melioration" of the already existing economic base; from extensive to intensive development; from the growth of consumption to a higher quality of life; from straightforward, "one-dimensional" progress to "multi-dimensional," pluralistically interpreted progress. In the liberals' opinion, the result of the "change of topics" is that political strategy based on yesterday's ideas is no longer capable of solving of today's problems, especially problems that will be placed on the agenda in all earnestness in the near future. In this connection, there arises the question of the new definition of social goals and norms, of the new understanding of the very sense of human life.

In the present situation, West German liberalism, unlike other ideological and political currents in the FRG, probably has the least connection with any kind of

concrete ideological systems resulting from political tradition. The position of liberalism as the "most deideologized ideology" and its "antidogmatism" unquestionably promote its reorientation under the modified conditions. Nevertheless, liberalism has been evolving since the mid-'70s and its evolution is far from complete. Even now, using R. Dahrendorf's terminology, it is possible to speak only about "fragments of the new liberalism," all the more so because liberals do not have any kind of "patented prescriptions."

It can be said that the reorientation from predominately quantitative to predominately qualitative parameters of social development has begun under the common denominator of evolution of the views of West German liberals in the '70s and '80s. A typical example of this is the change in priorities in the economic sphere. A number of leading liberal theoreticians (R. Dahrendorf, O. Flechtheim, G. Wittkemper, F. Hirsch)—predominately (but not exclusively) representatives of the "leftist" current in liberalism—have expressed their opinion of the crisis not only of economic growth itself but of the *ideal of growth* as such. They base their criticism of this ideal, first, on its obvious inadequacy vis-a-vis the present situation which is characterized by economic instability and the tendency toward stagnation; on their understanding of contradictory and largely negative consequences of economic expansion (such as environmental pollution, depletion of natural resources, the increasing distance between man and the natural foundations of life, etc.); and, third, on the awareness of the insufficiency of economic development in itself for the solution of today's social problems. The formation of these views was greatly influenced by the famous report of the Club of Rome on "the limits to growth" and by similar research, as well as by the theory and practice of the Green movement, under the influence of which and as yet small current has developed within the framework of West German liberalism, whose representatives (P. Menke-Gluckert, M. Forer, and others) can conditionally be called "ecological liberals." The "ecoliberals" have correctly noted the paradoxical nature of the traditional views of progress and the current "cost-is-no-object" approach to calculating national income, in accordance with which economic development (and hence the accumulation of social wealth) are evaluated according to the rate of expenditure of raw materials and human energy without regard to the damage to the environment and "natural capital."

Polemizing with advocates of neo-Keynesianism and Kondratyev's "long wave" theory, who considered the shocks of the '70s and early '80s to be temporarily difficulties and who hoped sooner or later for a rapid new upsurge of the economy comparable with the "economic miracle" of the '50s, many liberals compare their position to an ostrich who hides its head in the sand and state that a repetition of the growth rates characteristic of the '50s and '60s is impossible. H. Friedericks was one of the first liberals to express this point of view on 20 February 1975 in the discussion of the economic report

of the H. Schmidt government in the Bundestag. He stated that the crisis of 1974-1975 was a frontier in FRG economic history, beyond which there can be none of the former high rates of economic development. "New growth," H. Friedericks declared, "will be accompanied by a new phase in our medium-range and long-term growth. We...must say goodbye to the high actual growth rates of the past. We will have to be satisfied with...three or four percent."³

Liberal theoreticians cite as an argument such circumstances as the decline of "consumption waves," which were one of the prime movers of FRG economic development in the postwar period; the shrinking markets and the steady increase in the cost of expanding production (labor, social, tax costs, etc.) that is higher than the increase in labor productivity. An important part in the substantiation of this opinion is also played by reference to the inevitable (and largely undesirable) "overexertion" of the economy, the state, and of all society as a result of high growth rates, and to the dangerous dependence of economic dynamics on the existence of natural, nonrenewable resources.

It is interesting that some liberal theoreticians (R. Dahrendorf, O. Flechtheim, W. Mittelshtadt, and others) view the "limits to growth" that became apparent in the '70s not so much as a threat to society but as a favorable opportunity, which is not yet realized by many (the "chance of crisis") to rethink the idea of progress and to reorient social development toward more sophisticated, humane goals. Based on the "bitter truth" that the FRG economy (like that of other developed capitalist countries) will be incapable of making a major spurt in the foreseeable future and that only a negligible number of West Germans will have larger incomes in the year 2000 than now, they have advanced the slogan "well-being without growth" or "well-being with limited growth." The reference is to the search for ways of improving man's well-being without modifying incomes, i.e., by improving the quality of life, which includes not only the possibility of spending money, but also working conditions, participation in the decision-making process, a good environment, etc. Since "well-being without growth" theoreticians are aware that "zero growth" complicates the development of society, they nevertheless correctly assume that at the end of the 20th century social progress can no longer be determined by the amount of coal that is mined or steel that is smelted. In this regard, they have raised the question of quality including the social quality of growth. Rethinking the strategy of welfarism, they conclude that the level of society's well-being today is not measured even by the size of social expenditures financed by the increased production of various goods and services but by the deep content of goals pursued in economic development. As R. Dahrendorf says, "everything that is not only 'more' but is also 'better' that it not only quantitatively but also qualitatively enriches our life belongs to the well-being concept and is the goal of tomorrow's economy."⁴

If "leftist" liberals are to be primarily credited with the creation of the theory of "qualitative growth," then the "right-wing" liberals, including those connected with the "economic" wing of the FDP are the initiators of the investigation of problems affecting various aspects of state regulation and the modern model of the "social market economy."

Probably one of the most vivid indications of the reorientation of the liberals on these issues was the not unknown "Lambsdorf memorandum" (1982) which served as the formal basis for dissolving the FDP's coalition with the Social Democratic Party of Germany. O. Lambsdorf (who was then minister for economics in the H. Schmidt administration) proceeded from the view that the economic crisis of the early '80s was largely due to the action of long-range adverse trends such as the decline of profitability and investment, the lessening of the share of entrepreneurs' own capital coupled with the increase in the share of borrowed capital, the increase in the share of national income controlled by the state (up to almost 50 percent); exorbitant taxation, and the rising public debt. Accordingly, O. Lambsdorf demanded measures that would go beyond the framework of the anti-cyclical regulation traditional for the "small coalition" and that would be directed toward the long-term normalization of economic conditions in the FRG and to change the entire economic regulatory system that formed in the '80s. Thus, for example, he proposed restricting state economic activity since it is frequently economically ineffective or even useless and unprofitable; dismantling the vast regulatory mechanism in order to give the private sector more space for economic activity and thus halt the trend toward stagnation. The demand to sharply reduce state subsidies to unprofitable "old" branches, that while preserving jobs for a certain time, distort the state of affairs in the economy and hinder its modernization by interfering with structural change and thereby protracting the crisis.⁵

It should be noted that the "Lambsdorf memorandum," even though primarily concerning economic problems, nevertheless had much broader significance. It was symptomatic of the liberals' reorientation not only in economic but also in many other spheres since it touched on one of the basic topics of the "turn" of the '80s—the question of the functions of the state and market in the life of society. At the same time, it must be considered that the market is understood by today's liberals not only (and not so much) as a purely economic category but also as an integral, very effective system of social relations.

Discerning West German's society's urgent need for "deregulation," the liberals are trying to become the primary "articulators" of this tendency, imparting to it not a conservative but rather a liberal, progressist character. Like the neoconservatives, the liberals declare the necessity of maximum detatitization of all social life, but in so doing they proceed from a fundamentally different objective (at least the proclaimed objective)—the emancipation of the individual's creative abilities. From the liberal point of view, the self-regulatory market system of

society is more suitable for the attainment of the age-old emancipatory goals of liberalism under modern conditions than centralized control by the state. This view is largely substantiated by the ineffectiveness of the social democratic model of "global regulation" that was the basis of West German state economic policy from 1967 to 1982.

The question of differentiating between the functions of the state and the functions of the market arises in connection with the reorientation of liberals toward "qualitative" progress. This since approach assigns paramount importance to innovation (technological, social, political, etc.) rather than the extensive expansion of some social subsystem, it becomes necessary to determine which institutions—state, social or private—are more suitable for stimulating various kinds of innovation in the present situation and hence for acting for a catalyst of progress. The liberals quite unequivocally decide this question in favor of the private sector, considering that unwieldy, cumbersome state or collectivist structures at the present time cannot in any way be the "engine" behind social development. While emphasizing in every way the role of the entrepreneur (especially the innovative entrepreneur) as the leader whose success (assuming a correct income redistribution policy) ultimately promotes the progress of all society as a whole, the liberals favor the relaxation of bureaucratic regulation of its activity and giving it more freedom to act.

However, it would be wrong to evaluate this position by the liberals as exclusively pro-business. The fact of the matter is that they demand increased freedom of decision-making not only for businessmen, not only the economy, but for all citizens and in all spheres of life. In accordance with liberal views of the optimal social order, the relaxation of state control over corporate activity should go hand in hand with the relaxation of day-to-day control by corporate management over its work force. The interest of liberals in different "progressive" management concepts that encourage the initiative and independence of hired workers is entirely natural in this context. Based on their understanding of the key role of innovation and the growing significant of the "human factor," liberals consider "deregulation" necessary not only at the macro- but also at the micro-level (that is, within the framework of the enterprise).

The view that it is specifically freedom and not regulation that increases effectiveness that is responsible for the unique attitude to liberals toward the whole complex of social problems, including the co-participation of the working people in production management. Since the end of the '70s, this area has been affected by the specifics of the social philosophy of liberalism which, unlike the social reform philosophy, traditionally devotes paramount attention not to co-participation in management as such but to the potential for the self-realization of the individual. Analysis of co-participation practiced in the second half of the '70s has prompted liberals to depart from their previous position which was

based on the notion that depersonalized "factors"—labor, capital, and management—that is reflected in particular in the "Freiburg theses" should participate jointly in management. In the '80s, the liberals demanded the development of co-participation in decision-making not so much at the collective level (at the enterprise) as at the individual level (in the workplace). In their opinion, the collectivist model based on proposals of the SDPG, while leading to the institution of new control-regulatory bodies (observation councils made up of representatives of employers, the work force, and management) only slightly promoted the attainment of liberal emancipatory goals. From the liberal point of view, co-participation in management at the level of enterprise or corporate management ("co-participation of trade union bosses") does not practically alter the status of the average worker and his potential for influencing decision-making—including decisions that directly affect his area of work and that thus have paramount significance for him.

In the opinion of liberals, the crisis of gigantism that developed in the '70s is once again making the slogan "As much centralization as necessary; as much decentralization as possible" exceptionally timely. They frequently refer to the reverse dependence that exists between size and the effectiveness of structural units when an increase in their size removes the decision-making process from the individual and his real needs. At the same time, as many liberal theoreticians point out, the development of microelectronics, information technology and multilateral communication systems presently make it possible to reach qualified decisions at the middle and lower level of management, which must be used for the decentralization of the economy and for forming ever more autonomous (both organizationally and spatially) economic units of small size and with a flexible production cycle.

Two conclusions naturally follow from the demand for maximum decentralization. First, liberals believe that there is a special need now to combat monopolies and all forms of excessive concentration of economic power (whether in the hands of individual employers, the state, or trade unions) for the active use of antitrust legislation even if it takes the real state of affairs into account. What is more, under present conditions it is especially important to combat the monopolization of the mass media which undermines the pluralism of opinions.

Second, the liberals declare the necessity for the all-round encouragement of small business. They point to the following circumstance: while technical progress used to discriminate against small business by perpetuating its technical backwardness, the introduction of microprocessors and other technical systems have radically altered the situation today. Since the '70s, various innovations (which, as already stated, occupy a central place in current liberal views of progress) have been more and more frequently produced by small firms, as a result of which the question arises as to their support, including the financial support that should be provided

both by the state (through tax exemptions, for example) and by the private sector itself (through the placement of orders under preferential terms, bank loans, etc.). In this connection, liberals demand the considerable reorientation of state economic policy which has for the most part traditionally supported large concerns and stimulated the merger and consolidation of firms.

As many liberal theoreticians show, the acceleration of scientific-technical progress is making such high demands on slow-moving state institutions that state regulatory methods that formed in the second half of the '60s and that are based on the operational management of economic processes are no longer sufficiently effective today and only disorganize economic life. The spread of antietatist sentiments among liberals (especially "rightwing" liberals) is consequently entirely explicable. Appeals to restrict the authority of the state and its jurisdiction to general functions of protecting order and securing society's basic living conditions, of protecting the economy from "the excess of institutional invasions" and to bestow maximum independence on all economic agents.

However it would be wrong to say that the development of liberal though in the last one- and one-half decades has been in the direction of the doctrines of the "minimum state" and the "laissez-faire" times of classical liberalism. To the contrary, the modern liberal concept of the "social market economy" differs fundamentally from the views of classical liberalism, first, by their recognition of the need for certain state functions and, second, by their understanding of the fact that the market requires social corrections. The existence of the state-regulatory in modern liberal doctrine is inevitable. It is in particular called upon to restrict individualistic egoism, i.e., to play the same role that strict traditionalist morality plays among neoconservatives. As B. Kirsten notes, "liberals do not share optimistic views of man like those entertained by such 19th century anarchists as Bakunin or Proudhon. They want to have a regulatory mechanism and a network of institutions that would keep the social system in order. However, they are also aware of the freedom-restricting character of these institutions."⁶ It can be said that the liberals are trying to find the optimal correlation of initiative and control under present conditions, which they view as the dialectical unity of opposites.

The position of a number of leftist liberals, who unlike "right wing" liberals demand "another" state rather than "less" of the state is of interest in this regard. In accordance with these views, the discussion must be not so much of the mechanical reduction of the functions of state as much as their reorientation toward other tasks. The "leftist" liberals believe that the state should abandon its attempts to control literally all spheres of social life and should concentrate its efforts on solving priority problems. It must rid itself of "short-term" thinking and political nearsightedness (connected with the attempt to reach instantaneous goals) and must develop new political instruments oriented toward the

solution of long-term problems—i.e., must concern itself with the purposeful “policy of support for the future.” As H. Lutz notes, the modern state is called upon to call the following funtions:

- to monitor the ecology
- to stimulate progressive structural changes in the economy
- to keep everyone from violating the rules of “honest competition”
- to support those who are persecuted by the blows of fate or have been treated unfairly from birth (to implement social policy).⁷

In R. Dahrendorf's opinion, it is pointless to talk about “the minimum state” if only because of the inertia of many institutions. However, he also identifies more serious reasons connected with the fact that in modern society even formal juridical equality before the law and the right of political participation require something more than declarative constitutional promises. Legislation must be reinforced by institutional guarantees that extend from legal aid to the educational system, from justice organs to methods of party financing. However, as R. Dahrendorf writes, even the “powerful state that has become a customary habit cannot remain such”⁸ because it is immobile and in many respects ineffective.

Summing up what has been said above, it can be said that the liberals have clearly defined (even though, perhaps, in slightly hypertrophied form) the basic parameters of change in the socioeconomic situation in the '70s and '80s as well as characteristic features of the present mood of citizens of the FRG and other Western countries. Their reaction to technological changes, the crisis of etatism, and the failure of the social democratic model of “global regulation” appears to be quite appropriate. It can also be said with considerable certainty that the liberal concept of “qualitative” growth corresponds to the objective needs for development of not only West German society but also of modern society in general—at least in the developed countries.

Footnotes

1. G. Verheugen, “Eine Zukunft fur Deutschland,” Munich, 1980, p 109.
2. K. Sontheimer, “Zeitenwende? Die Bundesrepublik Deutschland zwischen alter und alternativer Politik,” Hamburg, 1983, p 37.
3. VERHANDLUNGEN DES DEUTSCHEN BUND-ESTAGES, Vol 91, Bonn, 1975, p 10277.
4. LIBERAL, No 1, 1983, p 8.
5. Ibid., No 4, 1984.
6. Ibid., p 87.
7. Ibid., p 33.

8. R. Dahrendorf, “Fragmente eines neuen Liberalismus,” Stuttgart, 1987, p 126.

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Economic Reform: The Need for a New Type of Manager

904M0012I Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 5, May 90 (signed to press 16 Apr 90) p 136

[Article by L. Grigoryev: “Reform Cadres: Managers or Entrepreneurs?”]

[Text] The nation's reform process has activated new political forces and created a new political situation. In the economic area, however, the reforms are lagging, while the ideals of struggle against the bureaucracy are overshadowing the real problem: the need for someone to implement in practice the management functions of economic units operating under market conditions. The new social forces have already appeared here: primarily in the commercial sector. However it is not they who decide the fate of the economic reform, it is rather the hundreds of thousands of managers who are confronted with the necessity of finding themselves under the new conditions. In his inaugural speech, the president of the USSR called for the “decisive acceleration of the economic reform.” The question is how this shall be done and by whom.

What is involved here is the historically unprecedented task of making the transition to a market economy in a country which recently (in the person of the majority of its scientists and managers) took pride in the fact that “commodity-monetary levers” were all that remained of the market in this country. In the new economy—perhaps in just a few years—it will be necessary not merely to MANAGE a branch, region, or enterprise, but to UNDERTAKE daily efforts to ensure the growth of sales and profits while simultaneously maintaining the long-term stability of the enterprise in the market. This is called the transition from vertical to horizontal relations.

Let us try to determine the sources of cadres for the future market economy and the demands that will be made on their mentality and professional training. A certain number of these people can be found within the framework of the existing economic system—they are the ones who are continuously maneuvering in order to get around senseless prohibitions and incompetent interference in the economic process. The reference is to today's plant managers, suppliers, and chief accountants. We can add to them the businessmen of our incipient commercial sector who are working in joint ventures, in cooperatives, and in banks. A certain number can be recruited from among managers in the state apparatus. Experienced ministry personnel could become extremely useful members of observation councils in joint-stock companies or managers of state or local property.

Finally, the main reserve is young people who must now be taught how to work under market conditions. The network of business schools in our country must be expanded (it is preferable that they be staffed by teachers from foreign countries). Large groups of youth must be sent to universities in the West so that the economy's demand for professional cadres in years to come will be satisfied at least to a certain degree.

The formation of the corps of entrepreneurs is a separate problem. Education here is, as we know, a necessary but insufficient factor: the businessman's talent is kindred to art. But all entrepreneurs, both at enterprises and in institutions, must be surrounded by numerous professionals that make market mechanisms function.

Where will the new cadres work and in what capacity? The reform needs managers of joint-stock enterprises, economists, and lawyers. There is need for an army of accountants of the "new type" to keep the accounts of joint-stock companies, cooperatives, and joint ventures. Without an independent auditing service, it is practically impossible to develop financial markets and the joint-stock form of property. At the same time it will be necessary to establish many new financial institutions that must be staffed by people with especially high qualifications and that brook no amateurishness whatsoever. We will need thousands of financiers trained from the ground up and tens of thousands of specialists retrained for state industrial and trade enterprises.

Here, too, it is alas most prudent to follow the example of Peter I and learn from foreign countries. However, since his time our possibilities have unquestionably expanded: we can no longer learn just from Europe.

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Review of Book on Modern Capitalism

904M0012J Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 5, May 90 (signed to press 16 Apr 90) pp 137-139

[Article by V. Kuznetsov of book "Kapitalizm segodnya: paradoksy razvitiya" [Capitalism Today: Paradoxes of Development] by A. A. Galkin, V. N. Kotov, Yu. A. Krasin, and S. M. Menshikov. Edited by Professor V. N. Kotov. Moscow, Mysl, 1989, 317 pages]

[Text] Let me say from the very beginning that the book's title leaves something to be desired. During the years when the readership for our sociological literature was declining (in the first half of the '80s), these imaginary verbal beauties and paradoxes crept onto the covers under the pressure of publishing house editors who unsuccessfully tried to reconcile the impending conversion of their activity to cost-accounting principles with the emptiness and banality of the manuscripts submitted by the authors. Inertia made itself known in the given instance: the authors did not by any means freeze in the

face of unsolvable riddles. Instead, they present the reader with the benefit of their reflections on the nature and problems of modern capitalism.

Not everything in the book is of the most recent vintage. Even the unusual attitude toward capitalism as being in the channel of "forward development of human civilization" (p 3) proclaimed in the very first sentences of the introduction cannot conceal the fact that the book for the most part consists of half-finished products [*zagotovki*] that were created back in the years when, in the authors' words, the methodology of studying capitalism was based on "one-sided and primitive views of it as the focus of regression and stagnation, evil and violence" (*ibid.*).

But strange as it might seem, it is specifically this fact that obviously contradicts the relaxed exposition of ideas a la perestroika that inspires hope. It states that the reason behind the scientific stagnation of Soviet sociology was not that "dogmatic views became dominant among Marxists after the birth of Lenin" (p 5) but consisted in a much simpler circumstance: the political system did not tolerate nonconformity and vigilantly screened out any idea that exceeded the strict ideological framework.

And if the ideological Arakcheyevism [*Arakcheyevshchina*] could not crush the normal person's capacity for sober and original thought even among those who were duty-bound to maintain the purity of the Doctrine, the objective prerequisites had long ago matured for the policy of perestroika and the new thinking. It took time for political forces with the boldness to decisively normalize the moral situation in the country and propose new reference points for movement forward to surface.

The book's first major thesis—about a new phase of capitalism—was first advanced by one of the authors some 5-6 years ago. It was proposed that modern capitalism be called not simply monopoly capitalism or state-monopoly capitalism, but simply transnational capitalism. This thesis is now buttressed with a more detailed array of arguments. Nevertheless, the approach still remains somewhat formal. International measurement, which is also viewed as the principal uniqueness of modern capitalism, is assigned to Lenin's features of imperialism. The proofs are organized roughly as follows: not simply monopoly, but oligopoly, which nevertheless creates "approximately the same consequences as monopoly" (p 43); not simply cartels, but transnational companies; not simply financial capital, but transnational financial capital; not simply colonialism, but "hidden" or "neocolonial subordination" supplemented by the struggle for "general political and hegemony" (pp 46-47). From this also follows the definition of modern capitalism by only two, perhaps important, but nevertheless external features: transnational and military-industrial.

It struck me as ill-advised to focus primary attention on formally significant features. Behind their garish obviousness are significantly more profound changes that are taking place imperceptibly and that are only indicated in the same chapter about the new phase: "the transition from one phase of capitalism to another is inevitably connected with change in the forms of capitalist property, the organization of production, and interrelations between the principal classes" (p 52). But the principle of capitalism's retention of its monopolistic basis is emphasized: V. I. Lenin called the capitalism of his day monopolistic, and it unquestionably remains the same in our time" (p 43). If this principle is taken seriously, it slams the door on any possibility of understanding the reasons behind what is happening around us. Lenin's interpretation of monopolies is integrally connected with the processes of decay and parasitism, inhibition of the scientific-technical revolution, with the inevitability of world wars over the redivision of raw materials markets and other markets and many other things that were perhaps characteristic of the beginning of the century but that are difficult to see in its final quarter.

Fortunately, the authors are inconsistent on this key question and subsequently examine the real situation more soberly. Many original approaches are indicated specifically to problems of organization, management, and regulation of production. Here, too, there is a new, truly modern assessment of the role and place of market relations, a realistic description of the economic mechanism, a more precise view of the state and the forms of its interaction with the economy, and a truthful account of labor relations in industrially developed capitalist countries.

The question of the economic mechanism and structure of modern capitalism is posed in a fundamentally new way. The authors turn from searching for traces of planning and state intervention in the economy—those imaginary precursors of socialist structures in the bowels of the capitalist mode of production—and decisively direct the reader's attention to the role of market and competitive relations in making social production highly effective.

The topic is introduced by a thought of the early Engels that is very timely for our country: each producer in social production "must wish a monopoly for himself, whereas all society as such must lose from the monopoly and must therefore eliminate it" (p 108). And indeed, since the end of the 19th century, Western democratic societies have waged a more or less consistent and on the whole successful struggle against monopolies of all different types. Despite this, official ideologues and scholars have for 7 decades tried to convince us that "the competition that exists today in the capitalist economy is not the result of the development of natural processes in a capitalist economy, but is in part the fruit of state policy in this area" (p 111). And therefore, the facts indicate "that the sphere of action of market relations has expanded in recent decades" and that the intensity of

the market's characteristic competition "has not by any means diminished" (pp 91, 92).

But if this is the case, it finally becomes comprehensible why there is intensive scientific-technical progress in postwar capitalism, at the same time that our departmental production monopolies reject it with an enviable stubbornness that is worthy of better application. It is not by any means the scientific-technical revolution that is the driving force behind the development of capitalist production, supposedly despite its obsolete social shell, as has been maintained in all our textbooks and as is echoed by the location of the chapter on the technological revolution at the very beginning of the book. Such an engine is the economic mechanism of a market-regulated type that is appropriate to the mighty productive forces, that generates the self-same scientific-technological revolution in the process of the healthy, skillfully directed competitive struggle to lower production costs and, on this basis, to raise enterprise profits as the condition to the reproduction of material, human and social structures. While we have been "proving" the impossibility of the successful development of monopolies which supposedly fetter and smother the entire economy, real capitalism has made a mighty leap forward before our very eyes on the trained and bridled steed of scientific-technical progress.

The authors' interpretation of the economic mechanism is of special theoretical and practical interest in the light of what has been said. It contains four subsystems: decision-making, justification, coordination and verification of execution. Unfortunately there is no room here for a sufficiently detailed discussion of the entire concept. I shall cite only a few phrases that indicate the role of individual "subsystems of the economic mechanism" (forms of property, independence of the enterprise, its responsibility, etc.); "independence of individual economic units, the sovereignty of their economic decisions and the existence of the market as a form of relationships between these independent decisions—two sides of the same coin" (p 124).

It is thus obviously antiscientific to advise our enterprises to enjoy their autonomy while administrative-command management structures continue to exist.

"Competition is the cheapest and most effective method of economic control" (p 128). What is more, the "corporate optimum" (production at the lowest cost) "is based on an independent corporate decision on the use of available corporate resources." The information required for this "is of a specifically microeconomic nature. There is no sense whatsoever in transmitting it to higher level of managements that cannot correctly evaluate it or use it intelligently it" (p 130). As we know, exactly the opposite is true in our country: the center does it utmost to obtain all information about the activity of enterprises so as to be able to "prompt" them on what to do in case of necessity.

The coordinating function of the market is carried out through the price mechanism. "The merit of distributing resources based on price consists in the extremely economical attitude of economic units toward taking resources from the market... A flexible price in the market mechanism very effectively replaces the system of centralized allocations [sondirovaniye] and ceilings, that is today being equated with bureaucratic stagnation, with the squandering of resources, and with the possibility of gaining access to resources for the resolution of secondary problems through personal connections or through connections with corrupt elements that have power over the distribution of centralized allocations and ceilings (pp 131-132). And so on and so forth.

One would like to advise the authors to present a copy of their book to gosplan personnel and others in our central economic departments. Perhaps then the radical reform of our economy would accelerate, especially because, as if anticipating a wrathful sermon from the defenders of our socialism against capitalist pollution in the form of the market, the authors write: "The economic mechanism based on market relations is frequently equated with capitalism. But this is incorrect from both an abstract theoretical and historical point of view... Marx's theoretical approach is based on the differentiation between commodity production and capitalism on the one hand and on the analysis of the way in which capital subordinates commodity production to itself on the other" (pp 153-154). This truth is illustrated and confirmed by a story about Hitler Germany which from 1936 to 1945 legally preserved private property, established an administrative-command type of management with all its attributes: a central plan, stable prices, the centralized distribution of resources, and many other features (pp 187-191). This is a very instructive passage that was penned by one of our country's best Germanists.

The book contains many other passages that are worthy of attention. The social aspect is presented in the same nontrivial form as the economic aspects: those who are interested will find food for thought in the respective chapters.

Having removed the fetters from creative thought, society is entitled to hope for a beneficial return. The reviewed book is one sign that these expectations will not be in vain.

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Book on Socialism in Central, Southeastern Europe Reviewed

904M0012K Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 5, May 90 (signed to press 16 Apr 90) pp 139-142

[Review by M. Pozolotin of book "Stroitelstvo osnov sotsializma v stranakh Tsentralnoy i Yugo-Vostochnoy

Yevropy" [Construction of the Foundations of Socialism in Central and Southeastern Europe]. Responsible editor: G. P. Murashko, doctor of historical sciences. Moscow, Nauka, 1989, 437 pages]

[Text] In connection with the stormy events in what is traditionally understood as the socialist world, there has been an appreciable increase in public interest in the contemporary history of these countries. Therefore the timeliness of the topic selected for research for scholars at the USSR Academy of Sciences Institute of Slovanic and Balkan Studies is beyond doubt. The problems addressed in the book are very complex and important. Their analysis, especially in the light of current processes, requires a highly competent approach free of dogmas and stereotypes. This applies both to the essence of the questions as well as the formulations of basic principles.

The work under review, like any other work, can be evaluated from at least two points of view. The factual side, disregarding minor errors, inaccuracies, and repetitions, is presented on a good level and provides an idea of the processes that actually happened. The theoretical interpretation of these processes pales notably by comparison.

As the title indicates, the monograph's basic interest is the construction of the foundations of socialism in Central Europe.

Unfortunately, the book only declares the solution of this question, but the author offers practically no convincing proof to support this contention. In order to understand how matters stand in reality, socialism's basic criteria, characteristic features and the traits that distinguish it from capitalism should have been clearly formulated in Chapter 3 (Regularities and Specifics of Socialist Construction in the USSR), the author tries to indicate objective regularities, which can to a certain degree also be viewed as socialist criteria (p 98). But, first, nowhere is it stated that these socialist features or regularities are true not only for the USSR but for other countries as well, and, second, that a number of them do not accord at all with contemporary views of this question.

Not the dictatorship of the proletariat, not the creation and strengthening of the socialist state, not cooperation in small-scale commodity production, not the strengthening of the international front of struggle against capitalism, etc., but emancipated labor, liberty, democracy, glasnost; the high living standard and educational and cultural level of the population based on labor productivity that is higher compared with capitalist countries; the social and ecological protection of the working people; the consistent policy of strengthening and preserving the peace not in words but in deeds; the expansion of cooperation and trust in relations with other countries and peoples, etc., should be counted among the principal criteria of socialism from the height of today's views.

As regards property, it was previously thought that socialism's principal feature was the transfer of property to state hands and the recognition of state property as the highest form of property. We now know that this point of view was incorrect. Such mindless statization [*logosudarstvleniye*] led to the alienation of the producer from the means of production. The dominant opinion today is that the greater part of property should be social, i.e., should belong to collectives of producers. At the same time, the existence of private property is admissible to a certain degree in the sphere of small-scale and possibly even medium-scale production: a small enterprise in the hands of individuals is more flexible, more responsive to the consumers' demands. Such a policy is in keeping with Lenin's premise that forms of property in themselves create neither capitalism nor socialism—they are the instruments of economic policy of the class that is in power. These features are characteristic of socialism, but, to a certain degree, also typify a society in which only the foundations of socialism have been built, even though in the latter case, demands regarding, for example, the living standard, the development, democracy, etc., will take into account the insufficient level of society's development.

But how did matters stand with the forms of property and democratic rights and freedoms in the period described in the book, i.e., in the '50s and early '60s. After analyzing the situation existing at that time, can it definitely be said that the foundations of socialism had been built in Hungary, Czechoslovakia, and other countries in the region? If they had, how can one explain the unrest in the Hungarian People's Republic, the Polish People's Republic, and the later change of leadership and its policy in the Czechoslovak Socialist Republic in the '50s and '60s and the events in recent times? Genuine socialism in Lenin's understanding of its essence could not evoke such widespread dissatisfaction among the population. Consequently, the new society that was built obviously did not entire or perhaps even remotely correspond to what we invest in the concept "foundations of socialism" in its idealized interpretation.

Of course, it would be unjust to demand of the authors that they evaluate all changes in society of the '50s from today's standpoint. Events overtook their work on the book. Nevertheless, it would have been possible in some degree to assume or predict (prediction is one of science's principal tasks) what the processes occurring in the region's country might ultimately lead to. Let us take, for example, the question of the command-administrative system that is one of the most serious deformations of socialism. Obviously, its foundations were laid in this stage. Thorough scientific analysis of this phenomenon, of the reasons that called it to life, and the course of its development would unquestionably have been an adornment of the work and an important contribution to the theory of the question. To be sure, in the conclusion (pp 421-422) this topic is addressed, but very fleetingly and, moreover, the explanation of the

genesis of the ill-starred system cannot be called convincing. Unfortunately, these and certain other important problems in the social life of countries in the region in the described years were not properly reflected in the collective work.

Even though the title mentions countries in Central and Southeastern Europe, the book also includes a chapter on the construction of the foundations of socialism in the USSR which, as is known, extends northward almost Pole and naturally does not fit the framework of Southeast Europe. But there's nothing bad about this. It is worse, in our opinion, that the chapter is written at a lower level than the others, and to a considerable degree in the spirit of the stagnant period.

Thus, it is stated here that "an entirely new socialist state" formed in the USSR with the victory of socialism (the discussion relates approximately to the year 1939). Evidently, in order to be more convincing the author deems it possible to refer to pronouncements on this question by none other than ...I. V. Stalin (p 97). People belonging to the older generations remember well what kind of a socialist state it was. Hundreds of thousands of the nation's best citizens lost their lives in Stalin's and Beriya's torture-chambers and concentration camps. But this is what the author writes about civil liberties during this period: "The exercise of rights and freedoms proclaimed in the Constitution of 1936 was constrained by the thesis of the preservation and strengthening of the dictatorship of the proletariat" (*ibid.*). Indeed! As if human liberty and rights during those times were not trampled upon and destroyed, but only constrained. And if it were not for the notorious thesis about the strengthening of the dictatorship, everything would probably have come out in a magnificent color.

Such ambiguous, imprecise, and downright incorrect statements can also be found in other sections of the book. Thus, on p 268, it is stated: "The ability of the vanguard of the working class, drawing upon the varied experience of socialist construction in the USSR" to relate it to the conditions of time and place (the quotation refers to the mid-'50s period—M. P.) acquired special importance." And further: "All power in the peoples' democracies belongs to the people and is exercised by the people through representative organs that are vested with the appropriate jurisdiction and that are responsible to their electors" (p 269).

Without a moment's doubt, the authors characterized the events of 1956 in Hungary as counterrevolution (pp 294, 316) even though the Hungarians themselves are by no means unanimous in their interpretation. The activity of the Central Committee of the Hungarian Socialist Workers' Party in the subsequent period. We read in the book that it's December (1956) Plenum "thoroughly restored Leninist norms of party life" (p 315). It is further stated that similar positive phenomena also took place in other countries. In Chapter 10, it is stated that during the years under review (the second half

of the '50s and the early '60s) in Central and Southeastern Europe, there was a "progressive movement, the objective historical sense of which consisted in the appreciable expansion of socialist democracy, in the restoration of Leninist principles of party and state leadership, in the attempt to replace authoritarian-bureaucratic centralism in government by democratic centralism" (p 344).

If the Leninist norms of party life and state leadership have truly been restored, and indeed completely, how then can one explain the fact that many years later the masses in socialist countries, including Hungary, Czechoslovakia, Poland, the German Democratic Republic, and Romania, have so stormily expressed their dissatisfaction with the existing order? Or must it be admitted that movement was in the opposite direction all this time?

Incidentally, in other sections of the book the authors themselves variously evaluate the situation in the region during the period under review. They write about the narrowing role of the parliament that became "a kind of 'ornament' in the existing system of power," about the dictatorship of certain party leaders, about peremptory methods of leading the masses (pp 112-113).

Further on: "Crisis situations in all countries were the reaction to negative phenomena in economic, political, social, and spiritual spheres, to the ignoring of the interests of various social strata, to the lowering of the working people's standard of living" (p 316). It turns out that the "full restoration" of Leninist norms led to crisis situations. Was that the case?

One would like to see the section on the social and class structure of society in the region's countries at the beginning of the '60s (see Chapter 11 for more detail). The authors confined themselves chiefly to statistics on the growth of the working class and of peasant and craft cooperatives. The researchers lost sight of white-collar workers and the intelligentsia. The chapter says practically nothing about the large stratum of managers. Where, to what category do they belong—to blue-collar workers, to specialists, to the intelligentsia—or are they a separate structure, a separate group with its own interests and views? The question is very important because some scholars are inclined to even view this category as a separate class that occupies different positions than workers and peasants. Its role in society is attested to by the fact that a considerable part of the representatives of this stratum that has grown to an incredible degree comprises the backbone of the command-administrative system, has become the guardian and protector of the latter, and the main (frequently covert and cunning) opponent of perestroyka.

Obviously feeling that the topic of social and class structure was not developed sufficiently in the book, the authors return to it in the conclusion and make up for what was previously missing to a certain degree. But here, too, the question about the managerial stratum and

its role in the development of society in fact remains outside their field of vision. The previously mentioned section about social and class structure states that "since the mid-'50s, it has rapidly become more complex and richer" (p 380). The thought is correct even if it is not so very well formulated. Indeed, together with the obliteration of distinctions between individual classes and strata in the society of countries in the region, there is also differentiation, *inter alia*, within the framework of individual classes and strata. For example, a group of modern nouveaux riches—people with unjustifiably high incomes, chiefly illegally or the result of the distortion and violation of the socialist principle of distribution according to labor—is forming. Of course, such processes were still not sufficiently discernible during that period, but they nevertheless did take place. And the discussion of them should be more clear instead of artificially breaking off the thought on the quotation cited above.

The book's thesis that the "worsening of the international situation and the resulting use of a considerable part of the economic potential for defense were accompanied by the affirmation of a system of strict centralism and administrative-command methods for managing the economy and society as a whole" (p 420) seems questionable. Such an explanation of the origin of the administrative-command system in the region's countries seems somewhat simplistic and one-sided and gives the problem a purely "natural" fatal character since the international situation did objectively worsen.

But was administration by mere injunction in the organization of cooperatives and the destruction of peasant farms in certain countries, for example, so very closely connected to the international situation? Obviously, this important problem merited more rigorous, competent and deeper analysis.

The work almost completely lacks historiography, i.e., the description of the movement of scientific thought in the given problem area. One might think that the authors were working virgin land. This impression is intensified still further by the statement contained in the Introduction that the present work "is the first attempt in Soviet historiography to give the reader a whole view of the history of formation of socialism in Albania, Bulgaria, Hungary, the GDR, Poland, Romania, Czechoslovakia, and Yugoslavia" (p 4). This is not entirely correct. There were earlier attempts. As an example, one can name the work "Iz istorii sotsialisticheskogo stroitelstva v stranakh Tsentralnoy i Yugo-Vostochnoy Evropy" [From the History of Socialist Construction in Central and Southeastern Europe] (Moscow, 1979). We also know that a number of works were published on the history of socialist construction in individual countries.

In our view, the monograph's conclusion does not entirely fulfill its mission. Essentially, we have before us the retelling or repetition, possibly in simply in other words, of what was presented above. However a conclusion usually sums up the research findings of a given

work, presents conclusions and the most important generalizations and depicts prospects for the further development of the studied processes.

It is also appropriate to mention the imprecision in the book's title and text. "Southeastern Europe" obviously refers primarily to Romania and Bulgaria, which disagrees with the geographical realities. Our Volgograd and Astrakhan oblasts, the Kalmyk ASSR, Dagestan, etc. are situated in the Southeastern part of the subcontinent. If we follow the authors' terminology, the entire Soviet Union will fall into the Asian sphere. It would seem more correct if the countries in the region discussed in the book (with the exception of the USSR) were united by the term "Central Europe."

Among the monograph's merits we should list the authors' good orientation on the subject of their research, which requires knowledge of an enormous body of factual material. As regards the book's shortcomings noted above, they are largely the result of a situation that has existed in our social science until recently.

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Two Books on Canadian-Soviet Relations Reviewed

904M0012L Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian
No 5, May 90 (signed to press 16 Apr 90) pp 143-146

[Review by T. Lavrovskaya of books: [I] "Nearly Neighbors. Canada and the Soviet Union: from Cold War to Detente and Beyond." Edited by J. L. Black and N. Hillmer, Kingston, Ontario, Ronald P. Frye and Company, 1989, XII + 174 pages; and [II] "Canada's Economic Relations With the USSR in the 1980s" by Carl H. McMillan, Toronto, University of Toronto, 1989, IV + 83 pages]

[Text] We are always late, even when the analysis of our own perestroika is the point at issue. It is sufficient to observe how soon Western scholars began in-depth research on the prospects opening up in this process. The network of specialized research and training centers is expanding and the flow of scientific publications is growing. Scholars in virtually all countries and on all continents are showing activity.

Nor is Canada—a country that knows the economic effectiveness of international cooperation not from heresy—lagging behind. The Canadians have no doubt about the objective potential and possible effect of the interaction with the USSR. This certainty is reinforced when one reads two books that were published in Canada in 1989: "Nearly Neighbors. Canada and the Soviet Union: From Cold War to Detente and Beyond," a collective monograph edited by Professor J. L. Black, director of the Carlton University Institute of Soviet and East European Research in Ottawa, and Professor N.

Hillmer, an historian; and "Canada's Economic Relations with the USSR in the 1980s," a new work by Professor C. N. McMillan, a leading Canadian specialist on the economy of socialist countries.

The first of these works embraces a broad spectrum of topics ranging from the analysis of the travel notes of Ilya Erenburg, who visited Canada in 1946, to the exchange of impressions about the problems of perestroika. The authors examine various aspects of Soviet-Canadian relations, so to speak, from opposite ends of the pole. The Canadian understanding of the Soviet Union and the Soviet view of Canada are analyzed in equal depth.

In the editorial foreword, J. Black and N. Hillmer emphasize the lack of stability in the development of Soviet-Canadian relations and the alternation of periods of cooperation and long freezes. The first direct contact with the new Soviet did not occur under the most favorable conditions: in the Spring of 1918, Canadian soldiers took part in the British intervention in Murmansk. Relations between the two countries formed with difficulty in the '20s and '30s. The authors also note the Soviet side's contribution to mutual tensions. In particular, they view theoretical and propagandistic cliches about Canada's supposedly impending demise as a sovereign state due to Anglo-American rivalry as such (p 2). It must be said that the view of the "subordinate" nature of Canadian sovereignty is still alive in Soviet political economy literature despite the fact that the idea of British or American "dominion" in Canada is out of date. The direct interference of Stalinist political departments in the affairs of the Canadian Communist Party is also viewed as one of the destabilizing factors of that period (p 3).

The work also presents an impartial evaluation of openly anti-Soviet actions by the Canadian government—from the repeated curtailment of trade relations to scathing propaganda and political confrontation (p 10).

The bilateral cooperation that had existed during the years of World War II gave way to new waves of political freezes and thaws. All this was a difficult legacy. However, the policy of perestroika is for the first time providing real hope that the consequences of confrontation can be overcome. This is evidenced by the general revival of political and business contacts between the two countries and especially the results of the visit of Canadian Prime Minister B. Mulroney to the Soviet Union in November 1989, after the monograph had already been published.

The book is extremely timely even though it contains retrospective analysis. Its creators demonstrate an approach—"the penetration of an alien culture" through the prism of individual, not always dominant elements of scientific and publicistic analysis, which is not traditional for Soviet science. The various topics are not presented in a strict sequence. However, there is an internal core that appears to connect individual essays.

This core is the search for points of contact between the two countries, for spheres of mutual understanding as the basis of joint activity.

In the section devoted to the Canadian perception of the Soviet Union, Alice Young (Center for Strategic and International Research, Washington) points to the most frequent mistakes made by Western observers: the lack of understanding of the real motivations of the Soviet leadership and the ignoring of differences in views between its members. She notes that these observers either see the Soviet Union as the "evil empire" or as the "flagship of progressive mankind." Hence cliches that are opposite in sign but the same in essence: perestroika is variously interpreted as the result of the "beneficial influence of the democratic West" or as the result of the "pernicious influence of imperialist forces" (pp 29-40).

Many penetrating "side views" of our reality can be found in the reminiscences of J. P. Holmes (Canadian of Institute of International Problems) about his work at the Canadian Embassy in Moscow at the height of the Cold War. The attempt to analyze the objective sources of Stalinism is of great interest. Some episodes are tragicomic, for example, the description of Canadian children crying out "Glory to the great Stalin!" together with their Soviet agemates (p 46).

The detailed analysis of the causes and consequences of the Berlin crisis of 1948-1949 by L. Sarti (Columbia University, New York) sounds especially timely and symbolic today, at a time when the Berlin Wall—that gloomy symbol of the Cold War—has fallen (pp 57-74).

E. Perry, V. MacGrath, D. Soutis and P. Stanishkis—specialists at different Canadian universities—devoted their research on the Soviet perception of their country to the period from 1953 to 1985 (pp 75-149). It is interesting to note how painstaking their analysis was; practically no major Soviet work in this area was missed. It is important for the Canadians to know what we think about their evolution, how we evaluate their policy. Still more impressive is how important the objectivity of our judgments, the substantiation of evaluations of changes taking place in Canada and their results are to them. The monograph even subjects Soviet newspapers to qualitative and quantitative analysis. V. MacGrath a professor at the University of Newfoundland, tabulates data on change in the tonality of PRAVDA publications about Canada depending on the political situation (p 95).

D. Farr, a professor at Carlton University (Ottawa), investigates one of the important and most interesting periods in the development of Soviet-Canadian relations which was connected with the name of Prime Minister P. E. Trudeau. It must be said that the repeated depiction of Canada as a "satellite" of the USA in Soviet literature largely disagreed with reality throughout the entire postwar period. As the researcher correctly emphasizes, even though Canada is the traditional object of the political and economic expansionism of its neighbor to the south, it skillfully plays its own geopolitical cards and

frequently pursues a policy independent of the USA (pp 102-115). Thus, Prime Minister L. Pearson was the first head of a NATO member nation to visit the USSR after the war. This even provided some politicians of that time with the grounds for considering the Canadians as "NATO Yugoslavs." Canada's balanced approach toward the "superpowers" was especially evident during the incumbency of P. E. Trudeau. Important steps were taken to reduce the level of arms and participation in NATO and economic and cultural ties with the USSR were expanded. It would be no exaggeration to say that the present revival of Soviet-Canadian cooperation is directly based on the foundation that was laid during those years.

The contradictory commonality of two such distant and at the same time close countries as the USSR and Canada has always existed but perestroika and the new thinking have placed it in a new light. We will hope that the changes are irreversible. C. P. McMillan, a professor of economics at Carlton University (Ottawa), who wrote the second of the books under review also believes that they are real. Analyzing Canadian-Soviet relations in the '60s, he emphasizes the fundamental difference in the character of the present and the preceding stages. In his opinion, today there is interaction at the level of economic roots—people and enterprises, whereas in the '70s the basic and frequently only driving force was the political will of leaders and intergovernmental contacts (p 60).

The very appearance of such an assessment and the articulation of the qualitatively new situation that is forming in the system of foreign economic interaction are a hopeful factor, especially because these new conclusions are based on thorough treatment of the problem in a serious preceding monograph by this author¹, that examined wide-ranging questions connected with the foreign capital investments of the Soviet Union and other CEMA countries, and concluded that the state-volitional mechanism of cooperation that dominated their foreign economic relations in the '70s did not create an adequate potential for interaction. Analyzing the latest events in Soviet-Canadian relations in his book, C. P. McMillan emphasizes that they are the result of truly dramatic changes in the '80s. The decade started with the adoption of economic "countermeasures" by Western countries against the introduction of Soviet forces into Afghanistan. The change of leaders who had been in power for a long time was common to both countries in the early '80s. All this promoted instability and indeterminacy. In the second half of the '80s, the situation stabilized and began to improve: cooperation, primarily its new forms, began gaining momentum.

What are the prospects for Soviet-Canadian economic interaction? The author believes that like West European countries, Canada has always tried to reduce the level of politicization of economic cooperation with the USSR as far as possible. While it has not always been successful in doing so, in his opinion Ottawa nevertheless inherently tends to distance itself from the traditional American

approach to trade as a means of exerting political pressure (pp 11-13). While the first Soviet-Canadian bilateral trade agreement was concluded in 1956, a similar Soviet-American agreement has still not seen the light of day. The Soviet Union enjoys most favored nation status in its trade with Canada which, incidentally, enables American firms to reach our market through their Canadian affiliates.

The Soviet Union's imports of Canadian grain are the dominant factor in bilateral economic relations to this very day. Other commodity groups comprise a negligible share of their trade turnover. The volume of non-grain imports by the USSR from Canada dropped more than threefold and in 1988 more than twofold compared with 1979 (p 27). As a result more trade turnover is concentrated in the hands of two state organizations: the Soviet Eksportkhleb and the Canadian Wheat Committee.

We note in this regard that the data cited in the book (p 45) attest to an extremely adverse trend: while the Soviet Union on the average purchased 10 percent of all Canadian export grain in the '70s, we annually exported [vyvozili] an average of almost 26 percent a year between 1980 and 1988. At the same time, we are not by any means interested in curtailing reciprocal trade. And, strictly speaking, it cannot be curtailed any further anyway. Having attained its "peak" in 1982, when trade with the USA comprised 1.4 percent of the total volume of Canadian foreign trade, this indicator went into a sharp decline and fell to 0.35 percent in 1987 and 0.49 percent in 1988. The situation is further complicated by the fact that traditional Soviet exports—raw materials and fuel—are of no great interest to Canada which is rich in these natural resources. In the markets where we are trying to strengthen our positions (motor vehicles, agricultural machinery, and other types of machine building products), Soviet exports are encountering growing competition from such countries as Japan and South Korea.

Perestroyka has introduced new measurements to old problems. The accent is shifting from international relations to closer direct ties between enterprises. However, the results are not inspiring—Canadian firms are increasingly penetrating the Soviet market, especially in the area of natural resource utilization, but there is no appreciable increase in the activity of Soviet exporters. What was won in this regard through great effort in the preceding decade has been lost in the '80s.

The Canadian government is concerned about the possible attempt of the USSR to reduce the imbalance by reorienting imports toward other Western countries. Steps are being taken to support the development of Soviet exports to Canada, including the granting of credit, the financing of trade missions, and the organization of bilateral business contacts. Serious qualitative changes are taking place. Canadian firms have representatives in Moscow. The first joint ventures and new bilateral business organizations are emerging.

The books forced one to engage in earnest reflection. The authors' conclusions urge their countrymen not to ignore the possibilities that are arising. They clearly show a common, global interest in cooperation, in the Soviet Union's integration into the system of world economic relations. Both works show that Canada understands well that as regards the intensification of economic relations with the USSR the time has come to proceed from theory and words to practice and deeds. This conclusion is very timely, especially for us, because missing today's opportunities means losing them tomorrow.

For a long time, we attributed our failures in trade with the USA, for example, to the lack of most favored nation status. But let us take our relations with neighboring Canada where conditions in the market are almost similar: the status exists but there are no evident successes. Thus the problem is not only and not so much institutional barriers as the low competitiveness of Soviet products and the lack of preparedness of our country's economic structures for effective foreign activity. It follows from this that there will be no easy solutions. Serious joint actions are needed. Their potential is enormous. Their time has come.

Footnote

1. Carl H. McMillan, "Multinationals from the Second World. Growth of Foreign Investment by Soviet and East European State Enterprises, Leningrad, 1987.

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List of Books Recently Published

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[Text] Alimov, Yu., "Neprisoyedineniye: istoriya, teoriya, problemy" [Nonalignment: History, Theory, Problems]. Moscow, "Progress," 1990, 327 pages.

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IMEMO Seminars Devoted to East-West Relations

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[Article: "On the New State of Relations Between East and West"]

[Text] "The Future of Soviet-American Relations in a Pluralistic World"—such was the overall name of a project conceived by the USSR Academy of Sciences Institute of World Economy and International Relations and the Atlantic Council of the United States. The project was based on the attempt of both sides to find the most promising means for overcoming confrontation between the United States and the Soviet Union, to determine the parameters of their constructive interaction, to prevent potential dangers of the period of transition that has begun, and to avert the misunderstanding of positions that could prevent the two powers from drawing closer together. The first USSR Academy of Sciences IMEMO-Atlantic Council seminar held 12-14 February 1990 laid a good foundation for the successful execution of the project.

The Atlantic Council of the United States, which was formed in the early '60s, is an influential sociopolitical organization that was created on an interparty basis. Its goal is to shape public opinion on international-political,

military-strategic, and economic problems, and to formulate practical recommendations for the U. S. Government and Congress and various international organizations. The Atlantic Council's board of directors is staffed by well-known representatives of the American world of politics, business, science, and the mass media.

The Atlantic Council of the United States delegation was headed by Gen (Ret) A. Goodpaster, Atlantic Council chairman and former commander of NATO armed forces in Europe. Among other American participants in the seminar were: Gen (Ret) G. Blanchard, former CINCUSAREUR; L. Bowden, former commercial-economic advisor to the U. S. Embassy in the USSR; W. Verity, former Secretary of Commerce; L. Gordon, former Assistant Secretary of State; B. Horowitz, vice president, Mitre; J. Dittberner, Atlantic Council vice president; J. Lodal, President, Intelus; P. Nitze, former President's arms control advisor; N. Augustine, chairman and CEO of Martin Marietta; S. Resor, former Secretary of the Army; A. [sic! L.?] Sullivan, former Assistant Secretary of Defense; H. Sonnenfeldt, senior fellow, Brookings Institution; former State Department counselor; T. Stanley, president, International Economic Research Institute; former ambassador to NATO; R. Hunter, vice president, Center for Strategic and International Research; P. Swiers, vice president, Atlantic Council; G. Eichler, vice president, Bank of America; and Col L. Ekman, Atlantic Council senior fellow.

In addition to lead associates of the USSR Academy of Sciences IMEMO, the Soviet group of experts also included a number of specialists from other institutions.

While the seminar discussed seven topics, the discussion frequently ranged far from the immediate subject, which made it possible to cover a broad spectrum of problems and at the same time to consider certain specific points that have become especially timely as a result of the dynamically changing international situation. This was probably manifested to the greatest degree at the first morning session devoted to the "Lessons of the '70s and '80s." The speech by V. V. Zagladin, advisor to the chairman of the USSR Supreme Soviet, and the paper presented by A. Goodpaster presented two points of view of the reasons for the failure of detente in Soviet-American relations in the '70s. Despite certain differences, the Soviet and American positions agreed that further military and political confrontation is unfeasible and burdensome to the USSR and the USA. The ensuing discussion focused predominantly on the prospects for overcoming the division of Europe and primarily on the difficult problem of German unification. American and Soviet participants in the seminar agreed on the need for caution in approaching the reunification of the two German states. It was noted that the errors of Versailles must not be repeated and that the German unification process must not be allowed to get out of the international community's control.

H. Sonnenfeldt expressed the idea that the rate of integration of West and East European countries will

objectively be faster than the rapprochement of Europe and the Soviet Union. As a result, the line of division will be moved eastward to the Soviet borders. V. V. Zhurkin, director of the USSR Academy of Sciences Europe Institute, in turn emphasized that while the given scenario is possible, its events will be only partially spontaneous. The "post-Versailles syndrome" must not develop in the Soviet Union and it is therefore in the interest of all countries to find ways of integrating the Soviet Union and the European Community.

T. Stanley and L. Sullivan presented an interesting paper on "Indicators of Change: Perestroika in the Soviet Union and Changes in the USA" that enumerated the steps that should be taken: the USSR—should retreat "from totalitarianism"; the USA should retreat "from containment" in the name of improved relations between East and West. T. Stanley admitted that when the paper's authors began working on it they felt the model of cooperation proposed in it to be overly optimistic. In the months that elapsed since then, much that was noted in the paper has begun to come true.

One would like to single out the part of the American experts' paper that discusses economic support by the United States for reforms in the USSR and Eastern Europe. These measures include: the development of a mechanism for granting commercial loans to the East; the formation of groups of specialists to assist CEMA countries in their transition to a market economy; the creation of incentives for expanding the organization of joint ventures in the East despite their initial insignificant profitability; the abolition of discriminatory amendments impeding the development of trade with the USSR; granting the USSR most favored nation status, at least conditionally; the expression of agreement to the USSR's participation in international economic organizations, which would presuppose its having the status of observer and would facilitate its access to technical aid.

The greatest attention in the discussions of this topic was devoted to the state of affairs in the Soviet economy and the strategy of economic reform in our country. This block of problems was thoroughly analyzed in the report presented by V. A. Martynov, corresponding member of the USSR Academy of Sciences; IMEMO director.

Speaking on "Stability of the World Economy," the American representatives also addressed a number of questions concerning Soviet economic restructuring. W. Verity identified the main problems confronting the USSR: the need to make effective use of the conversion process; the feasibility of decontrolling the distribution of material resources; increasing the mobility of the work force; raising product quality; securing a high level of economic management. In W. Verity's opinion, this would be the minimum program up to the year 1995. W. Verity also emphasized that the Cold War has ended and that the USA should give the Soviet Union everything it can. N. Augustine stated that the USA was interested in the success of Soviet economic reforms and could help

the Soviet Union primarily by eliminating obstacles to the development of Soviet-American economic cooperation, by training managers, and by creating some kind of mechanism to encourage economic relations between East and West. He noted that the conversion problem in the USSR will be considerably more difficult because the Soviet military industry is an enormous, closed part of the economy, whereas only optics and electronics are the predominantly military sector in the USA. A number of American representatives expressed doubt concerning the constructiveness and practicability of the economic program proclaimed by the Soviet government. They also agreed unanimously that a package of basic laws (tax reform, laws regarding property, land, joint-stock capital, etc.) should be passed before any kind of program commences.

The second day of the seminar began with a survey of the arms limitation sphere ("Arms Control: Dilemmas and Prospects"). The paper presented by the American side correctly stated: "Expectations regarding arms control were greater than accomplishments partly because the arms control process did not realistically reflect the situation in which it developed. The new strategic arms reduction negotiations and the ongoing negotiations on conventional arms, on the other hand, accord with the rapidly changing nature of relations between superpowers, which can ultimately restructure international relations."

The paper spoke of the interrelationship between unilateral reductions of military potential and official negotiations. From the American point of view, the recording of arms reduction in treaty form is important for bolstering stability because it provides additional insurance against unforeseen events.

Reflecting on the not so very distant future when the first agreement on conventional arms will be concluded, the paper's authors expressed support for A. Goodpaster's proposal that NATO and WTO armed forces in Europe be further reduced to a level comprising 50 percent of the present size of NATO forces on the continent.

The seminar examined potential parameters of the further development of the East-West dialog on conventional arms. While hailing the impending conclusion of an agreement lowering the level of Soviet and American armed forces in Europe in its present form, American specialists noted that the course of events on the continent may forestall the Vienna talks. G. Blanchard, in particular, was interested in the Soviet reaction to the idea of the total withdrawal of Soviet forces from Eastern Europe while limited U. S. Army and Air Force contingents remain in Western Europe. H. Sonnenfeldt remarked that the USA and the USSR are in an unequal situation because Soviet forces that are withdrawn from WTO member nations still remain in Europe. In a certain sense, the line under the discussion of the balance of forces was drawn by P. Nitze's reminder that the most important consideration is not to strike a balance, but to attain and preserve stability.

The American participants' expressed understanding of the USSR's negative attitude toward a unified Germany's membership in NATO should be noted. At the same time, they expressed the idea that a unified Germany's continuing membership in the North Atlantic alliance would also be in the Soviet Union's interests because it would guarantee reliable oversight over German's military-political development.

The Soviet proposal to conclude an agreement restricting qualitative aspects of the arms race evoked lively discussion. This proposal was critically evaluated by American participants in J. Lodal's remarks. Based on the example of the MIRV (multiple independently-targetable reentry vehicle) system, he questioned the possibility of clearly differentiating between the quantitative and qualitative component of the arms race. Its unquestionably qualitative components—the operating speed of computers, for example—are not amenable to limitation. Judging by remarks made at the seminar, the USA continues to be particularly troubled by Soviet heavy ICBM's, the possession of which is viewed as an orientation toward striking enemy strategic forces. It is stated that even their planned reduction by one-half will not reduce their destabilizing function because the number of targets will also be reduced at the same time. The deeper reduction or even the total elimination of heavy ICBM's would not only not relieve U. S. concerns but, in the opinion of American experts, would encourage the United States to limit its own destabilizing programs of creating strategic arms.

Two of the seminar's topics were connected with the developing countries: "Developed and Developing Countries: Imperatives of Constructive Interaction" and "Soviet-American Relations and the Regulation of Regional Conflicts." Within the framework of the first topic, various ideas were expressed regarding the role of aid to Third World countries by developed countries. R. M. Avakov spoke of the negative effect of aid that the recipients became habituated to and that simultaneously hindered development. G. Eichler divided the developing countries into three groups (countries "predisposed to succeed," countries "doomed to fail," and an intermediate category) and suggested making various resources available to the first of them and granting minimum aid to the second and then only out of humane considerations. L. Gordon disagreed with such a classification, noting the subjectiveness and unreliability of assessments of various countries and their ability to achieve success. At the same time, he called for a more balanced evaluation of aid to the developing countries: even though its long-term use may have negative consequences for its recipients, such aid is occasionally absolutely necessary.

Seminar participants addressed the interrelationship between the rendering of aid and the degree of democracy of order in Third World countries. N. A. Simonyan, deputy director of IMEMO, characterizing the extremely backward social structure of a number of developing countries, concluded the pointlessness of mechanically

implanting democracy without regard to the real conditions. The correlation between democracy and economic progress was analyzed by G. Eichler, who in the written version of his report observed: "The demand to first affirm democracy and only then to render aid, which will lead to the acceleration of development, does not necessarily best promote the striving of the developed countries to facilitate the development of democracy. What is more, at certain levels of development or under certain political circumstances, the directly opposite order is required. Democracy is neither a condition to nor a guarantee of economic progress, just as literature is not necessarily a curse for it, especially when widespread expectations and economic realities do not coincide." In their paper, R. Hunter and J. Sonnenfeldt stated that, notwithstanding the striving for a greater degree of cooperation on regional issues, neither power will relinquish its national interests in various regions of the world. The expansion of Soviet-American regional cooperation is thus limited to a certain framework. As American specialists believe, the regional interests of the USSR and USA are occasionally asymmetrical: the significance of the same regions may be different for them. They called upon both powers to be more sensitive to the other side's concern regarding another region and to use the UN's potential more actively in strengthening cooperation.

The seminar culminated with the discussion of "The Future of Democracy." L. Gordon and L. Bowden devoted their paper to analyzing the essence of democracy, its strong and weak points, and connected the prospective development of democracy in the USA with the solution of such particular problems as the reduction of the cost of election campaigns, the broader participation of citizens in the election process, the protection of society against corruption, the protection of the environment, the reduction of the budget deficit, etc. A. S. Grachev, a responsible official of the CPSU Central Committee, primarily focused his remarks on the interrelationship between democratization in the USSR and its foreign policy. Among other ideas, one can note L. Gordon's idea about the possible need for a "firm hand" in implementing reforms.

Participants in the seminar proceeded from the discussion of problems of democracy proper to the discussion of the nature of socialism and capitalism. P. Swiers expressed surprise that the USSR favors the deideologization of Soviet-American relations, but at the same time continues to view internal problems in ideological terms.

The first seminar between USSR Academy of Sciences IMEMO and the Atlantic Council of the United States enabled both sides to brief one another on changes in the policy of the two countries. The similarity discovered on numerous issues and the psychological climate that

developed with its orientation toward cooperation provide grounds for hoping for the possibility that participants in the dialog will jointly formulate recommendations reflecting the realities of the new world that has been liberated from the Cold War and that is embarking on the path of integration.

"Economic Reform in the USSR: Current and Prospective Development of Foreign Economic Relations With Western Countries" was the topic of a scientific-practical seminar organized by the Institute's scientific-commercial department for representatives of foreign firms and banks accredited in Moscow and for heads of joint ventures. Its principal goal was to brief visitors on the latest trends and changes in the course of radical economic reform, the present stage in the restructuring of the management of the foreign economic complex, and plans and prospects in this sphere. Members of the trade-economic staff of a number of embassies were also invited to the seminar.

The speech by Academician S. S. Shatalin, member of the State Commission of the USSR Council of Ministers for Economic Reform, devoted to the general analysis and assessment of the existing situation generated the audience's considerable interest. In particular, he focused attention on the interrelationship of theoretical and practical problems of the period of transition from the command-administrative system of economic organization to a planned-market system, identified the key aspects of reforms, and shared his vision of the causes of the insufficiency of their rates, the contradictions that arise in the process, and the "skidding."

I. D. Ivanov, deputy chairman of the USSR Council of Ministers' State Foreign Economic Commission [GVK], discussed current problems of foreign economic policy in detail. He convincingly showed that perestroika in this sphere is now bogged down primarily because of the imperfect nature of the basic internal economic reforms and presented and commented on the corresponding position of the GVK.

A detailed critique of the present state of our country's currency system and steps taken by the government to stabilize the situation in this vitally important sphere of foreign economic relations was presented by B. G. Fedorov, consultant of the Socioeconomic Department of the CPSU Central Committee.

I. A. Ganin, sector chief, USSR Council of Ministers' State Foreign Economic Commission, discussed plans for the further restructuring of the mechanism for managing the economic activity of Soviet organizations in the world arena. Under conditions in which individual Soviet enterprises that have now obtained the right to enter the foreign market independently are becoming the central link here, the main difficulty is to find an optimal formula of interaction between them and state organs, to refine and "activate" economic levers and stimuli.

V. A. Gnutov, chief, Subdepartment of Foreign Investments, USSR Ministry of Finance, devoted his remarks

to the state of affairs in joint ventures. Yu. L. Levin, senior scientific associate, USSR Academy of Sciences IMEMO; Donaubank (Austria) consultant, spoke about new forms of bank servicing of foreign economic activity of Soviet enterprises.

Participants regarded the seminar as very timely, interesting, and useful and praised the professionalism and candor of the Soviet exports who spoke and the possibility of engaging in a direct dialog with them. The wish to continue the practice of organizing such meetings was expressed.

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